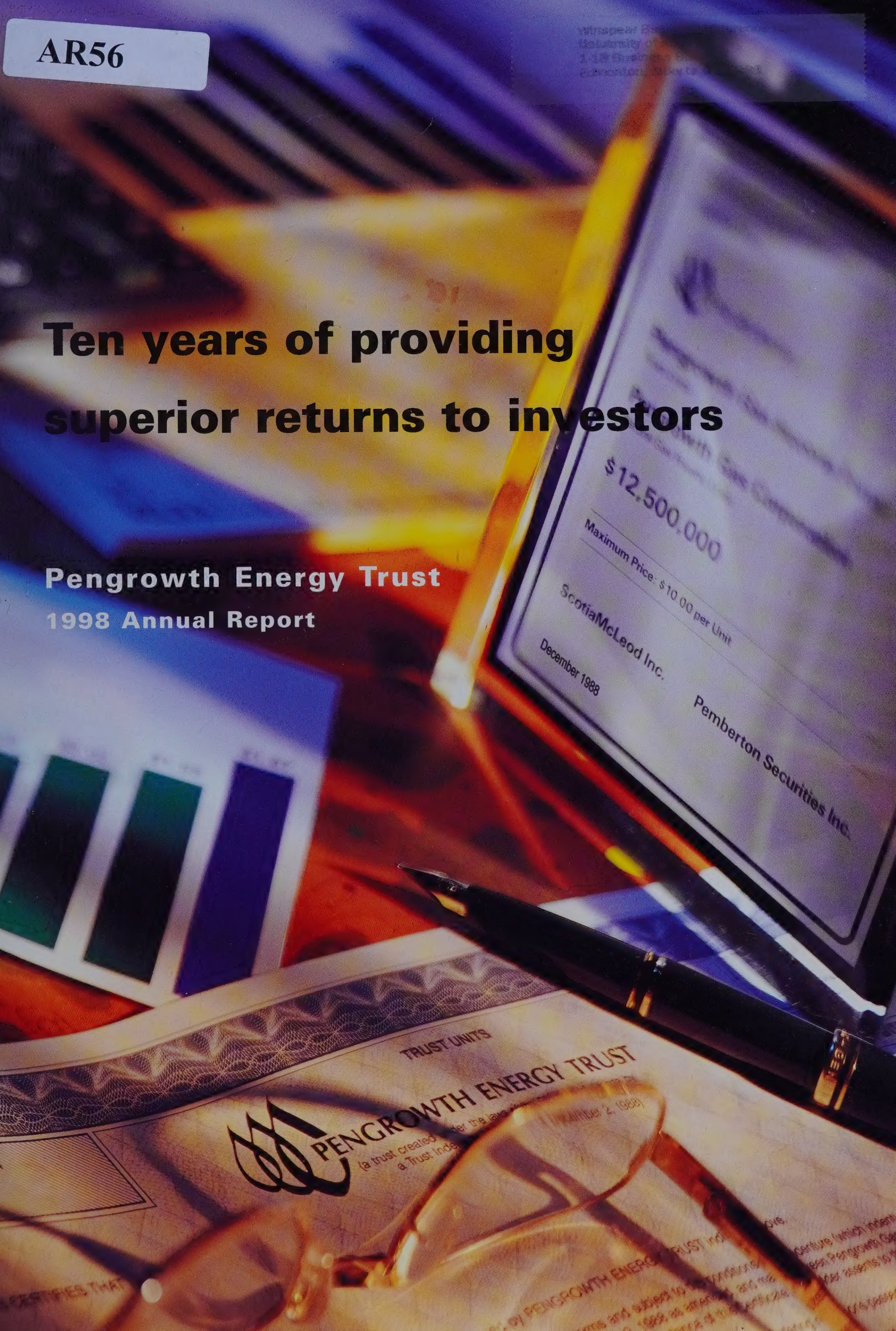
Ten years of providing superior returns to investors

Pengrowth Energy Trust

1998 Annual Report



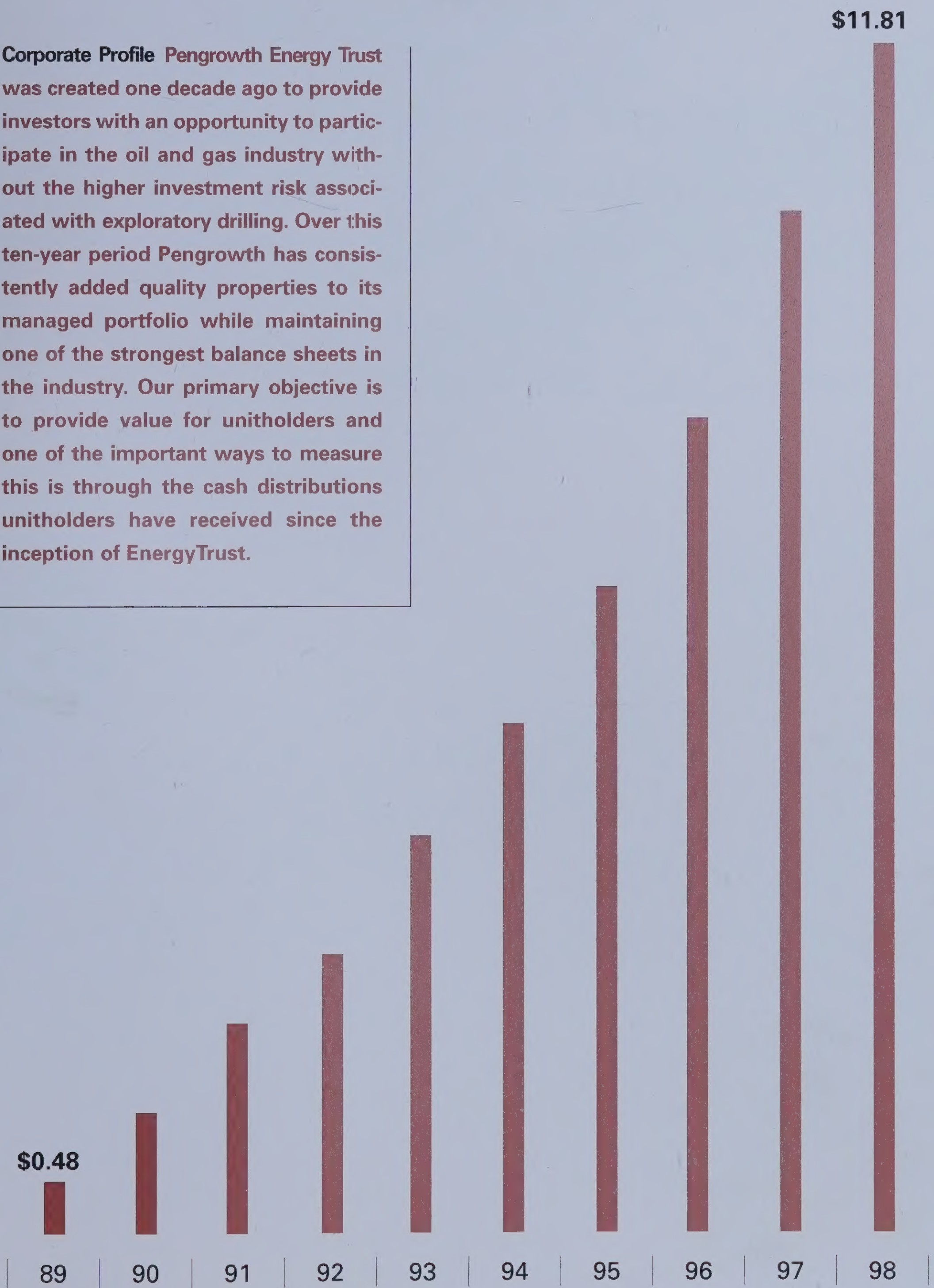
Pengrowth has demonstrated its ability to purchase quality assets. This, combined with the use of new technologies, has resulted in achieving outstanding returns over the past decade.

Pengrowth Energy Trust

Cumulative Cash Distributions Since Inception

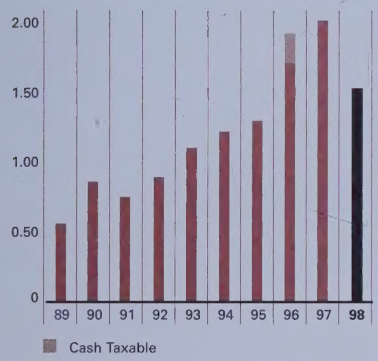
$11.81 per trust unit has been paid to unitholders since EnergyTrust began in 1988

Corporate Profile Pengrowth Energy Trust was created one decade ago to provide investors with an opportunity to participate in the oil and gas industry without the higher investment risk associated with exploratory drilling. Over this ten-year period Pengrowth has consistently added quality properties to its managed portfolio while maintaining one of the strongest balance sheets in the industry. Our primary objective is to provide value for unitholders and one of the important ways to measure this is through the cash distributions unitholders have received since the inception of EnergyTrust.



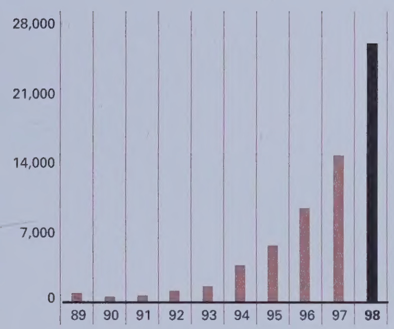
Management's expertise and commitment to add value for unitholders is the key to Pengrowth's outstanding track record.

Distributable Income/Unit
($Cdn)



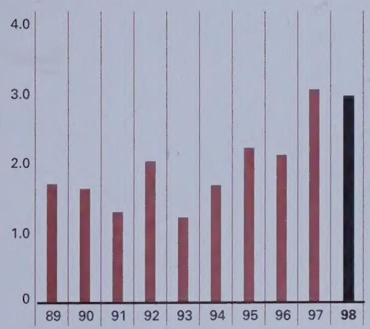
Prudent management has increased distributions per unit over time.

Total Production
(BOE/d)



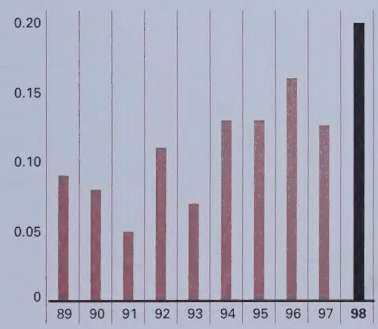
Eight consecutive years of production growth.

Reserves/Trust Unit
(Established BOE)



Reserves backing each unit remain strong.

Production/Trust Unit
(BOE/d)



Production per trust unit demonstrates enhanced value.

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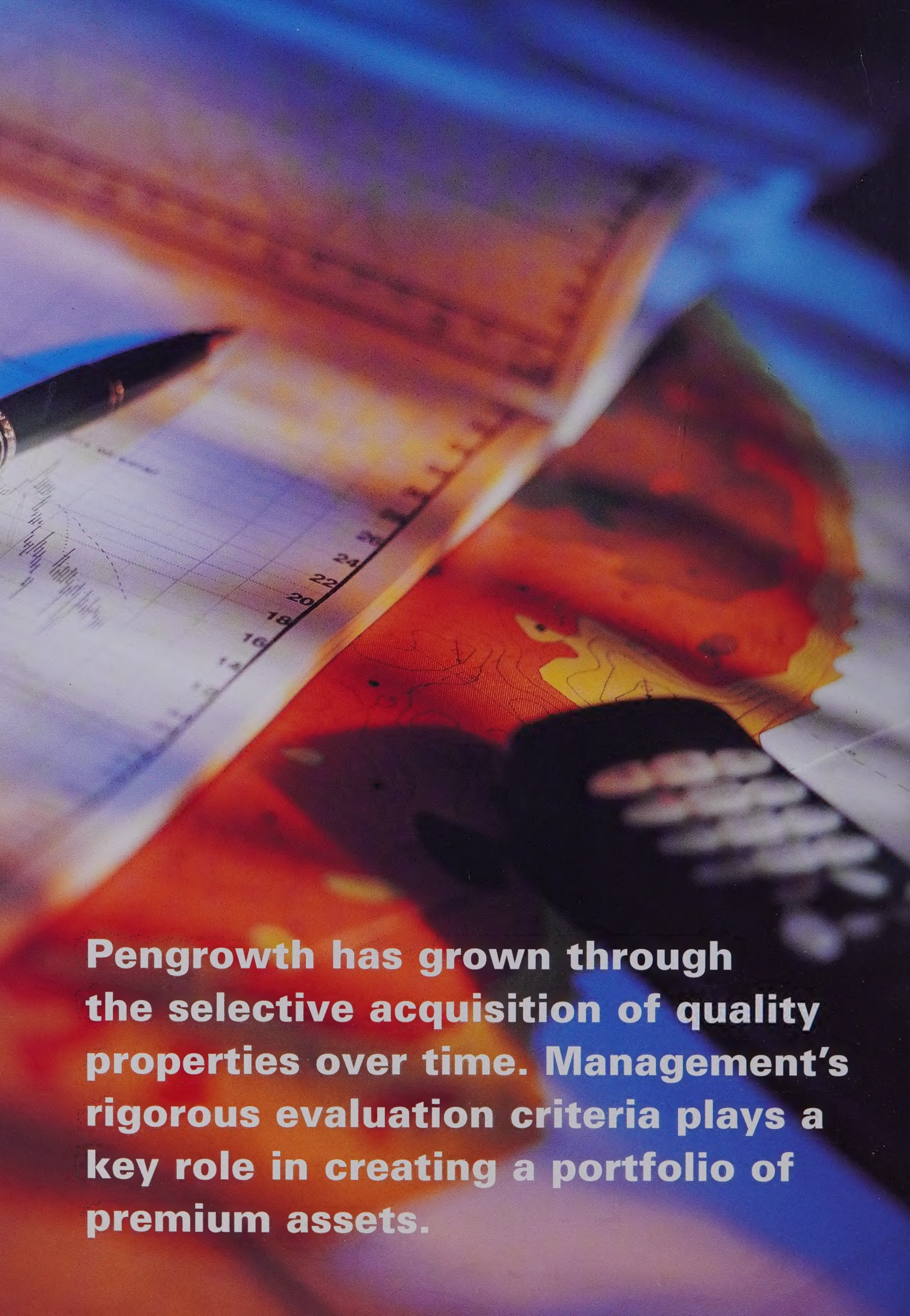

Pengrowth has grown through the selective acquisition of quality properties over time. Management's rigorous evaluation criteria plays a key role in creating a portfolio of premium assets.

1998 marked a year of significant transition for Pengrowth Energy Trust

James S. Kinnear
President and
Chief Executive Officer

report to unitholders

Fellow unitholders,

Pengrowth Energy Trust ("EnergyTrust") celebrated its tenth anniversary in December 1998, having commenced operations with an initial public offering of $12.5 million in 1988. Since that modest beginning, EnergyTrust has grown into the largest conventional oil and gas trust in Canada, with a 1998 year-end market capitalization of over $520 million:

- Production has grown from 300 barrels of oil equivalent per day at inception to over 25,000 barrels of oil equivalent per day in 1998.
- Recoverable reserves have expanded from 2.4 million to 140 million barrels of oil equivalent.
- Distributable income has increased from $0.7 million in year one to $72.1 million in 1998.
- Distributable income per trust unit has risen from $0.56 in 1989 to $1.53 in 1998, after reaching a high of $2.02 in 1997.

As a further reflection of EnergyTrust's growth, the 1998 Globe and Mail Report on Business ranked it number 47 out of 1,000 companies in terms of revenue growth over the past five years. Pengrowth's management has been consistent throughout this growth period, with an innovative track record of prudently acquiring quality assets, conservatively financing these purchases, and effectively and economically managing the asset portfolio.

Throughout its history Pengrowth has experienced both high and low cycles of the oil and gas sector. Pengrowth Management Limited has been active in the oil and gas property acquisition market for over 15 years. The year 1998 represented one of the low cycles in the oil and gas industry that is experienced from time to time.

At Pengrowth we strongly believe the current environment is one of exceptional opportunity to build asset value and momentum as we enter our second decade. However, we were indeed adversely affected by the unexpectedly steep decline in oil prices in 1998 and felt it appropriate to share our current views on commodity prices.

From a longer term, it is important to analyse the fundamentals that caused WTI oil prices to decline to US$11-12 per barrel late in 1998, representing the lowest levels in real terms since the depression days of the 1930s. There are two principal contributing factors. Firstly, an additional 2.5 million barrels per day of oil supply was added to the market as a result of the re-emergence of Iraq as a producer in 1997 and overproduction by OPEC-member Venezuela. Secondly, this additional supply occurred when the world's consumption growth rate was declining due to the economic slowdown in Southeast Asia and the El Niño winter of 1997-98, which was the warmest North American winter in 104 years.

Most world oil producers are currently operating at or near capacity, and with modest economic growth, new production will be needed to offset natural production declines (which average five percent per year), and to meet ongoing consumption growth of one to two million barrels per day annually.

Pengrowth Energy Trust – 10 Years of Growth

1988

- *Initial Public Offering raised $12.5 million by issuing 1.25 million trust units at $10.00 per unit.*

1989

- *Completed first full year of operations. Distributed $0.5567 per unit.*

1990

- *Increased distributable income to $0.8595 per unit.*

1991

- *Acquired a minority interest in the Nipisi Gilwood Unit No. 1 for $3.7 million.*
- *Concluded a Rights Offering to existing unitholders issuing 760,218 trust units at $5.00 per unit, raising $3.8 million.**

1992

- *Completed property acquisitions totaling $7.9 million.*
- *Commenced monthly distributions in June.**
- *Implemented a Distribution Re-investment Plan (DRIP) in July.**
- *Completed three Private Placements raising $2.5 million.*
- *Increased authorized capital from 2.5 million to 10 million trust units.*
- *Offered trust unit options to management.*

1993

- *Completed property acquisitions of $21.5 million.*
- *Completed a second Rights Offering issuing 1.5 million trust units at $5.50 per unit, raising $8.3 million.*
- *Concluded a third Rights Offering issuing 2.9 million trust units at $7.75 per unit, raising $23 million.*

1994

- *Acquired $49.9 million in properties, including $39.1 million for the Acquifund/Dunbar properties.*
- *Issued 4.2 million trust units at $10.50 per unit, raising $44 million.*
- *Increased authorized capital from 10 million to 100 million trust units.*

This new production will ultimately come from developments in both OPEC and non-OPEC areas of the world. However, higher oil prices are required before the necessary capital for new production projects will be forthcoming. In the interim, the only areas with significant incremental supply available in the short term are Saudi Arabia and Iraq, and both of these countries are depending on higher oil prices to stabilize their economies. Our conclusion is that a recovery in world oil prices is inevitable, the only question is when.

Natural gas prices took an opposite track to oil prices in 1998, remaining relatively firm throughout the year. Despite active exploration and development, U.S. producers have been unable to increase production for the past few years – a period when North American consumption of natural gas has been growing steadily and prices have started to rise accordingly. Canada has responded to the improved pricing and increased demand for natural gas by expanding its pipeline capacity for the delivery to the U.S. market.

Pengrowth is looking to increase its participation in this decidedly improved outlook for the North American natural gas industry, and is evaluating opportunities to increase its exposure to natural gas markets.

1995

- *Completed $71.4 million in acquisitions.*
- *Concluded Equity Offering issuing 3.3 million trust units at $11.65 per unit, raising $38.5 million.*
- *Concluded a second trust unit Issue of 1.75 million trust units at $15.50 per unit, raising $27.1 million.*
- *Implemented optional distributions in U.S. funds.**

1996

- *Acquisitions totaled $74.9 million.*
- *Completed Equity Offering issuing 5.2 million trust units at $15.80 per unit, raising $82.5 million.*
- *Implemented electronic direct bank deposit service for unitholders.**

1997

- *Purchased Judy Creek and Swan Hills interests for $496 million from Imperial Oil Resources on October 15.*
- *Completed Equity Offering of $508 million on an instalment receipt basis.*
- *Created EFEPs (Entitlements for Equity Participation) allowing existing unitholders to participate in the equity issue on a preferred basis.**
- *Increased authorized capital from 100 million to 500 million trust units.*

1998

- *Successful transition to operatorship of the Judy Creek facilities on April 16.*
- *Commencement of development activities at Judy Creek.*

** An industry first*

Our original expectation was to achieve an increase in distributions per unit in 1998. This would have added to our seven-year record of unbroken growth in distributable income per unit, which increased from $0.74 in 1991 to $2.02 in 1997. However, with crude oil and natural gas liquids prices declining by 25 and 40 percent, respectively, in 1998, the expected increase did not occur. In fact, 1998 distributable income declined by 24 percent on a per unit basis, from $2.02 to $1.525. Despite the decline in oil prices throughout 1998, we believe EnergyTrust's distributable income of $1.525 per unit underscores the quality of Pengrowth's asset base and sound financial position.

Our management team, which possesses an average of 20 years experience in the oil and gas industry, was instrumental in helping Pengrowth weather the 1998 oil price decline. Over the past decade management has proven its ability to evaluate and purchase the best assets for Pengrowth's portfolio and we are poised to take advantage of the opportunities developing in our sector.

Management continues to evaluate all cost centres with an eye on the current pricing environment. Our 1998 capital costs at Judy Creek were below budgeted numbers and all expenditures are being closely monitored to ensure economic returns. Our major 1998 initiative at Judy Creek, the miscible flood program, has had very encouraging initial results. Selected development programs are also being pursued at our non-operated properties, with several of these having the potential to increase natural gas production.

We are also actively monitoring operating and general and administrative costs. Our operating costs are already very competitive within the industry and we will endeavour to lower these somewhat during 1999. For example, at Judy Creek our operations team has an incentive plan in place based on their ability to reduce operating costs. Pengrowth G&A expenses remained among the lowest in our peer group at $0.58 per BOE in 1998, and our objective is to maintain or improve upon our performance in this area.

- On April 16, Pengrowth assumed operatorship of the Judy Creek units, and 109 new members joined the Pengrowth team. The 97 percent retention rate of Judy Creek employees ensures an experienced operating team is in place at this important asset.
- On October 15th, the second instalment of Pengrowth's public offering was received totaling $209.4 million, reducing our net bank debt to approximately $135 million.
- During the year our management team was strengthened. Pengrowth is pleased to welcome Robert Waters as Vice President Finance and Chief Financial Officer and Lynn Kis as General Manager, Engineering and Joint Interest Operations.
- Last autumn, six new horizontal miscible injection wells were completed at Judy Creek at a cost of $10 million, which was below budget. The horizontal miscible flood program commenced in September when injection began at two of these wells with another well being added to this program in December. We are now seeing a very encouraging increase in oil production as a result of the miscible injection and Pengrowth will be continuing this program in 1999.

The ceiling test review compares the carrying value of our assets to the estimated future net revenues from proven reserves using year-end prices (US$12.05 WTI per barrel of crude oil and C$2.30 per thousand cubic feet for natural gas). Pengrowth qualifies for a two-year exemption from the ceiling test with respect to its Judy Creek/Swan Hills properties that were purchased in October 1997. In consultation with our independent reserve engineers, management believes there has not been a permanent impairment in the Judy Creek/Swan Hills properties. If WTI crude oil prices exceed US$14.10 per barrel by the third quarter of 1999, we do not anticipate that a write-down will be necessary. The ceiling test outlined above does not affect distributable income or cash distributions to unitholders.

Looking forward, we envision the current period to be one of exceptional opportunity for Pengrowth. Our strong financial position, evidenced by one of the lowest debt to cash flow ratios in the energy trust sector and $175 million in unutilized bank credit lines, will enable us to capitalize on opportunities. We are constantly evaluating production assets, companies and trusts that become available for sale. However, in 1998 we did not see the winning combination of quality assets available at the right price. With the reduced cash flows and the higher debt levels that now prevail in the Canadian oil patch, we expect to see an improvement in the price and availability of quality assets.

Pengrowth is in an enviable position within the energy sector to take advantage of these opportunities. Pengrowth has an incomparable asset base, the financial strength and resources, and most importantly, the team of people that will successfully lead us into the 21st century.

Sincere thanks to all Pengrowth team members for their diligent efforts on behalf of the unitholders, to the Board of Directors of Pengrowth for their wise counsel, and to the unitholders for their interest and loyalty.

I look forward to meeting many unitholders at our annual meeting, to be held at the Calgary Petroleum Club on April 28th at 3:00 P.M.

Please feel free to contact us anytime, at any of the below listings:

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Fax: 403 265 6251
Toll free: 800 223 4122
e-mail: pengrowth@pengrowth.com

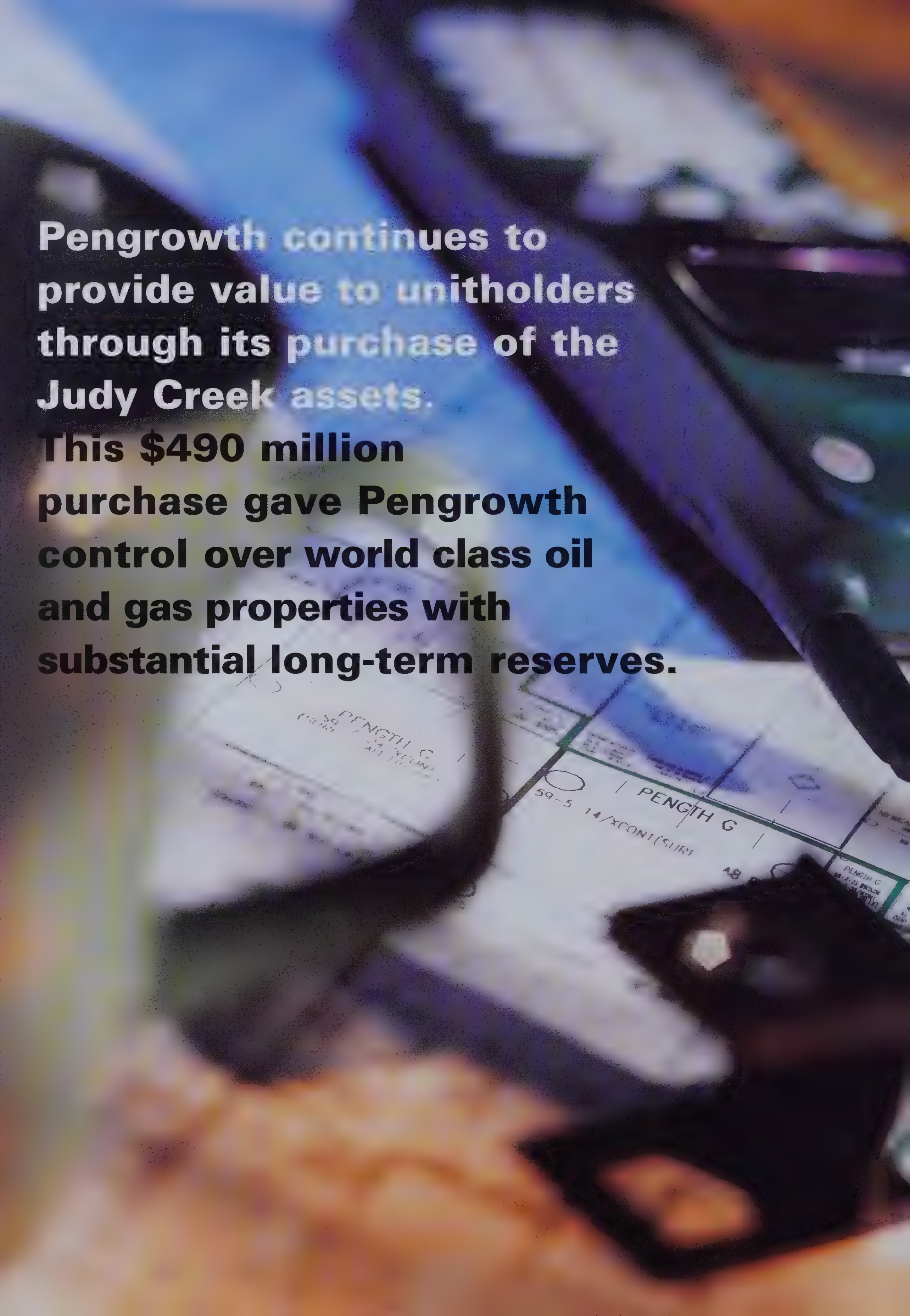
Submitted on behalf of the Board of Directors of Pengrowth Corporation.

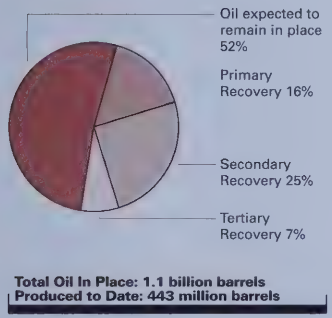
Sincerely,

James S. Kinnear

James S. Kinnear
President and Chief Executive Officer

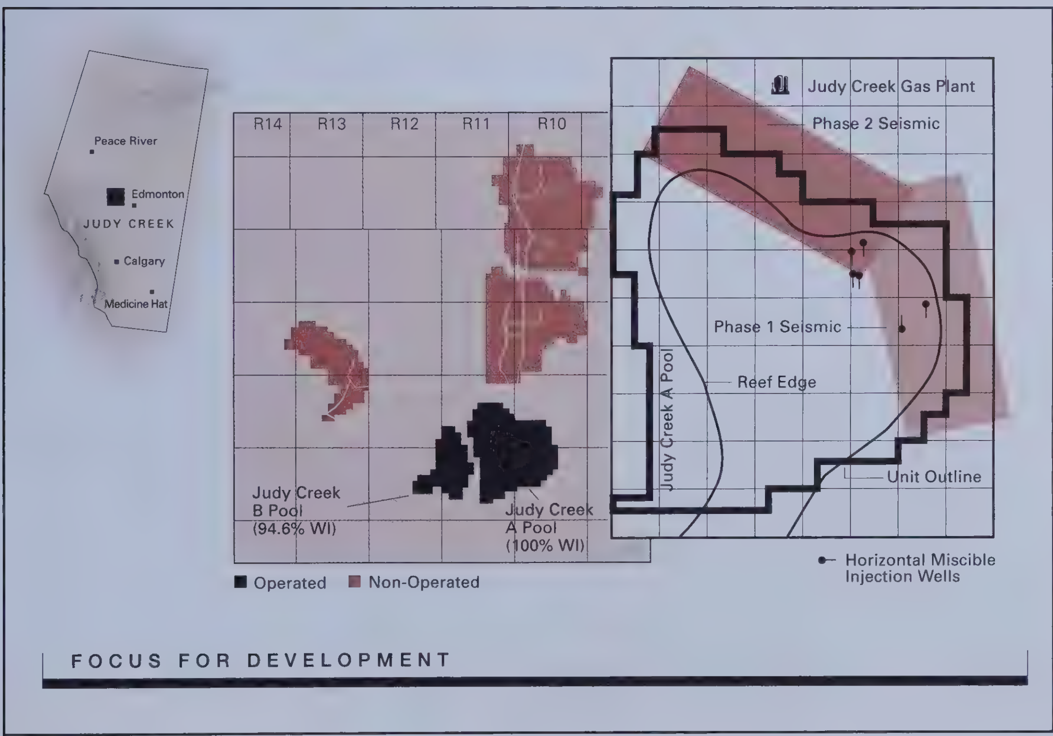
Pengrowth continues to provide value to unitholders through its purchase of the Judy Creek assets. This $490 million purchase gave Pengrowth control over world class oil and gas properties with substantial long-term reserves.





Judy Creek

The Judy Creek A and B pools are proving to be the quality assets we had anticipated when we purchased them in October 1997. These pools will provide high grade light oil production to Pengrowth for many years to come. The primary objective of our operations team is to economically increase the recovery of the oil remaining in place through sound operating practices and state of the art reservoir technology. If we were able, through current and emerging technologies, to economically increase the oil recoverable by one percent of the overall reserve in place, we would increase our oil reserves by over 10 million barrels. While it is not certain we can accomplish this, it provides a real challenge to our entire operations team.



1998 Miscible Flood

Miscible flooding is a proven method to increase the recovery of oil from a field with characteristics like Judy Creek. Miscible flooding uses a similar process to water flooding, however in addition to the water, a combination of methane, ethane and a minor amount of propane are injected into the reservoir. These fluids mobilize and release additional oil from the formation. This technical process requires constant monitoring by skilled engineers to ensure its success.

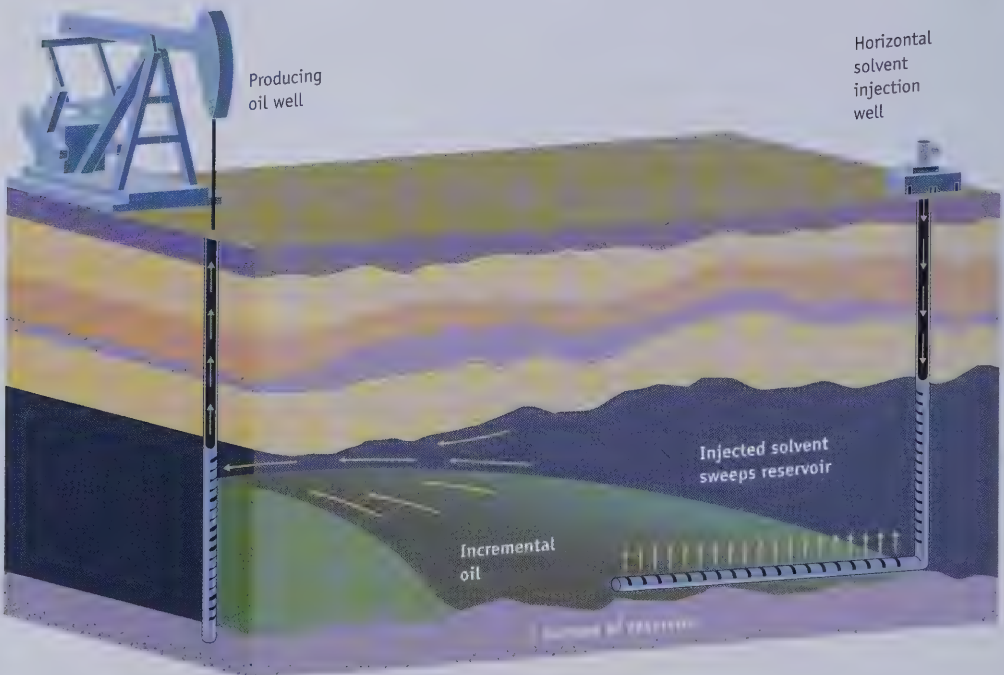
A miscible flood using horizontally drilled wells will recover oil more efficiently than vertically drilled wells. In a vertical well, the injected solvent quickly moves to the top of the reservoir, limiting its efficiency. By placing a horizontal injection well along the bottom of the reservoir, the solvent sweeps a significantly larger portion of the reservoir, forcing incremental amounts of oil to the wellbore. After careful economic evaluation, we drilled a total of six horizontal miscible injection wells during 1998. Three of these wells were started on solvent injection on September 24, October 2 and December 14. After an expected

time lag, initial production response was observed in late 1998. As seen in the initial production response graph, results to date reflect a 1,500 barrel per day increase in oil production.

Solvent injection should commence into the next three injection wells beginning in the third quarter of 1999 with their initial response expected by year end. Rigorous economic evaluation supports continued miscible flooding of the initial six injection wells with oil and natural gas at current prices.

Gas Plant Complex and Gas Gathering Systems

In 1998, we invested $2.1 million in gas gathering systems throughout the area in order to increase the plant throughput. As a result approximately 25 million cubic feet per day of



incremental third party gas is flowing through the plant, earning processing fees and helping to defray operating costs. We also negotiated three separate farmout agreements with independent oil and gas producers for the development of Pengrowth's shallow gas rights in the area. To date, the farmout program has not been successful in adding production.

1999 Outlook

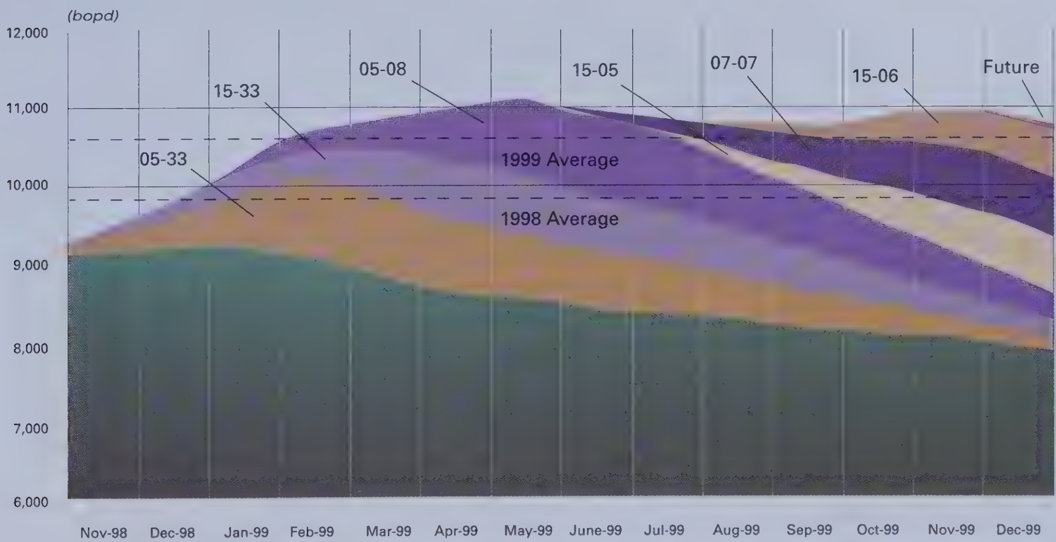
We are shooting a 68 square kilometer 3-D seismic survey covering the east and northeast edges of the reef. As there is very little seismic data available covering this prolific field, this program will allow us to assess the prospects for drilling along the edge of the reservoir. This 3-D seismic program will enable Pengrowth to more accurately define the limits of the reef edge and determine locations at which wells can be drilled with a high probability of success. We expect to drill at least one, and possibly two edge wells in 1999. We will expend $1.3 million on this seismic program – approximately $500,000 below 1998 costs, due to the current industry slowdown.

Future Opportunities

Pengrowth is evaluating the opportunity to drill infill wells and expand the miscible flood pattern into the northwest area of the Judy Creek 'A' Pool. Most wells in this area are currently situated on 160 acre spacing and an increase in density to 80 acre spacing will improve production significantly. Depending on results of our continuing analysis, infill drilling of up to 15 new wells and a miscible flood program could occur as early as 2000.

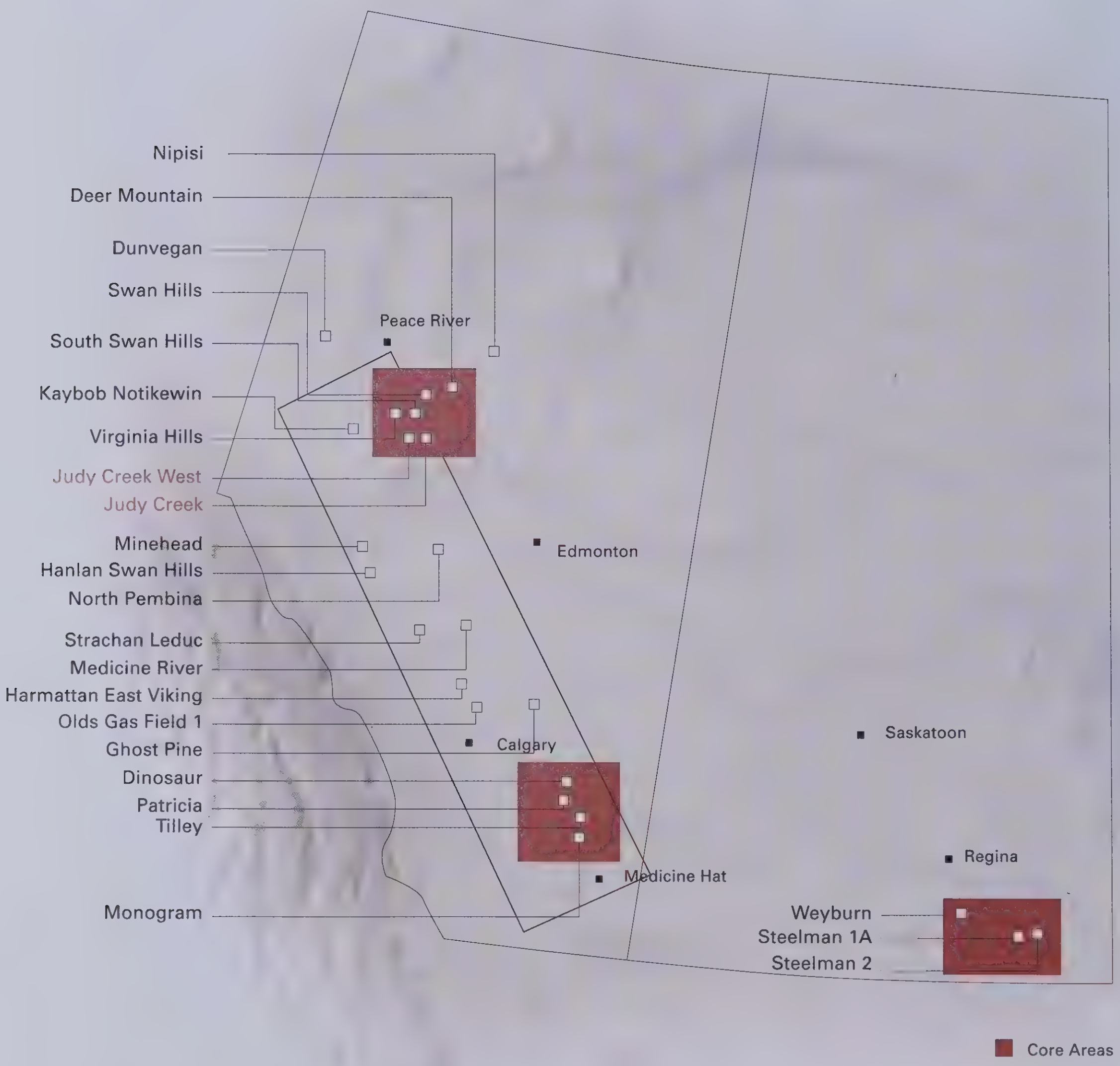
Miscible Flood Initial Production Response (first three patterns)

Projected Judy Creek Oil Production



Expected incremental production from horizontal injectors.

principal properties



Non-Operated Properties

Approximately 50 percent of Pengrowth's asset portfolio is comprised of properties which are operated by other major exploration and production companies. In 1998, production from these non-operated properties increased 13 percent from 11,554 boepd in 1997 to 13,017 boepd.

Dunvegan Gas Unit No. 1

Pengrowth participated in drilling four gas wells in 1998 at Dunvegan with Anderson Exploration as operator. The wells produce primarily from the Debolt formation. The Dunvegan gas plant was modified during the year to a deep-cut facility, which allows it to recover ethane plus products.

Swan Hills Unit No. 1

Pengrowth had an active 1998 at this oil producing unit, participating in drilling four development wells and upgrading facilities. Anderson Exploration operates this unit which is under a miscible flood program. Our working interest of 9.58 percent produced 2,197 boepd net to Pengrowth's account.

Cessford

Pengrowth owns a working interest of 60 percent and recently participated in a seven well shallow gas development program at Cessford. These wells were drilled for Medicine Hat/Milk River gas reserves and with their low drilling and operating costs the wells provide good economic returns.

Hanlan Gas Unit No. 1

In 1998 this unit produced 8.6 million cubic feet per day of natural gas net to Pengrowth's 7.78 percent working interest. The 1998 capital expenditures were primarily invested in expanding the amine system to sweeten the raw gas and other gas plant improvements. In 1999, we plan to participate in the drilling of a gas well which has the potential to increase Pengrowth's gas production from this unit by over 2 million cubic feet per day.

Monogram Gas Unit No. 1

This shallow gas unit is located in southwestern Alberta and produces sweet, dry natural gas with high netbacks from the Medicine Hat and Milk River zones. Pengrowth owns a 53.82 percent working interest in this unit and participated with the operator, Talisman, in a 40-well infill drilling program, which is expected to increase Pengrowth's production volumes by approximately 2.5 million cubic feet per day from 1998's average of 7.3 million cubic feet per day.

Minehead

Pengrowth has working interests varying from seven to 40 percent in this gas prone area. In 1998, two successful Cardium wells were drilled adding to our production profile in this area. We expect to participate in additional gas production at Minehead for the next few years through re-completions and drilling of further gas wells.

Weyburn Unit

Pan Canadian, the operator of this unit, plans to implement a carbon dioxide flood within three years in order to increase recovery of the large oil reserve in place at this unit. The Weyburn carbon dioxide flood is designed to produce approximately 60 percent of the known reserves, resulting in an incremental recovery of some 140 million barrels, or over seven million barrels net to Pengrowth for our 5.18 percent working interest. The Saskatchewan government has lowered its royalties on this incremental production, enhancing the economic viability of the project.

1998 Operations Summary

	Reserves Mboe	Percent of total reserves	Reserve life index (years)	Value at 12% discount ($000s)	Percent of total asset	Oil equivalent production (boepd)	Percent of total production	1998 capital expenditures ($ millions)
Judy Creek BHL (A) Unit	58,491	41.8%	16.4	271,286	42.6%	9,705	37.5%	10.4
Judy Creek West BHL (B) Unit	14,162	10.1%	18.6	50,000	7.9%	3,172	12.2%	0.0
Swan Hills Unit No. 1	15,054	10.7%	20.9	61,800	9.7%	2,197	8.5%	1.9
Weyburn Unit	7,638	5.5%	21.0	18,043	2.8%	1,111	4.3%	2.0
Dunvegan Gas Unit	4,441	3.2%	18.0	20,724	3.2%	635	2.5%	1.0
Hanlan Swan Hills Gas Unit No. 1	3,531	2.5%	9.3	23,847	3.7%	916	3.5%	0.8
Monogram Gas Unit	2,737	2.0%	9.2	25,197	4.0%	727	2.8%	1.9
Minehead	2,268	1.6%	18.8	11,362	1.8%	446	1.7%	2.0
Other Swan Hills	7,726	5.5%	19.2	25,880	4.1%	1,358	5.2%	1.4
Other S.E. Saskatchewan	5,226	3.7%	17.5	20,264	3.2%	1,103	4.3%	3.8
Other Shallow Gas	3,397	2.4%	12.0	21,126	3.4%	675	2.6%	0.5
Other	15,402	11.0%	8.0	86,496	13.6%	3,849	14.9%	9.2
Total	140,073	100.0%	15.7	636,025	100.0%	25,894	100.0%	34.9

Reserves Reconciliation

	Thousands of Barrels of Oil Equivalent (Mboe)		
	Proved	Proved & Probable	Established
December 31, 1996	38,466	50,082	44,236
Exploration and development*	5,692	8,623	7,195
Acquisitions	86,533	111,753	99,143
Dispositions	(203)	(280)	(241)
Production	(5,371)	(5,371)	(5,371)
December 31, 1997	125,117	164,807	144,962
Life Index (years)	13.4	16.7	15.1
December 31, 1997	125,117	164,807	144,962
Exploration and development*	5,494	2,810	4,151
Acquisitions	624	772	698
Dispositions	(216)	(359)	(287)
Production	(9,451)	(9,451)	(9,451)
December 31, 1998	121,568	158,579	140,073
Life Index (years)	13.8	17.1	15.5

* Includes revisions

Summary of Reserves at January 1, 1999*

	Gross Interest Reserves				Estimated Future Net Cash Flow Before Income Tax ($000)		
	Natural Gas (bcf)	Crude Oil (mbbls)	Natural Gas Liquids (mbbls)	BOE (mbbls)	0%	Discounted @ 12%	15%
Proved							
Producing	186.8	66,152	11,147	92,685	$ 1,072,347	$ 492,122	$ 435,016
Non-Producing	24.5	24,604	2,539	28,883	$ 264,705	$ 58,875	$ 40,771
Total Proved	211.3	90,756	13,686	121,568	$ 1,337,052	$ 550,997	$ 475,787
Probable (50 percent)	25.4	14,787	1,607	18,505	$ 319,609	$ 85,028	$ 68,734
Total Established	236.7	105,543	15,293	140,073	$ 1,656,661	$ 636,025	$ 544,521

* Based on Gilbert Laustsen Jung Associates Ltd. January 1, 1999 reserve evaluation report.

Steelman

Pengrowth owns varying working interests in nine oil producing units at Steelman. In 1998 Pengrowth maintained production here through participation in drilling horizontal wells, oil battery upgrades, waterflood modifications and pipeline maintenance. The units produce oil from the Midale zone.

Swan Hills – Other Units

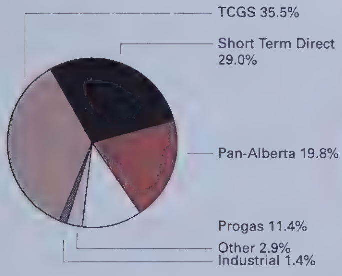
Pengrowth has varying interests in four other units in the Swan Hills area, namely South Swan Hills, Virginia Hills and Deer Mountain Units No. 1 and 2. During 1998 capital was expended on recompletions, equipment upgrades and pipeline replacement. Pengrowth's 1998 oil production from these four units was 1,358 barrels of oil equivalent per day.

Niton

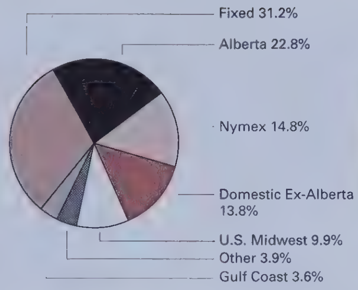
For the Niton unit, Pengrowth participated for its 14.46 percent working interest in a multi-well drilling and recompletion program. Crestar, the operator, also reactivated a waterflood to improve oil production and recoveries.

Crestar also operates the Medicine River Unit No. 3, in which Pengrowth has a 8.94 percent working interest. During 1998 a series of projects were undertaken to add incremental oil production including drilling horizontal wells, recompleting and stimulating older wells, and optimizing the waterflood.

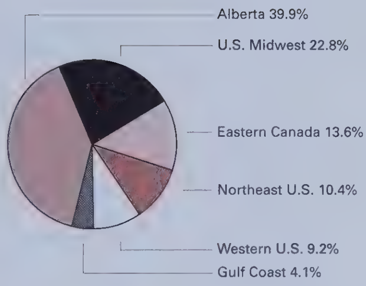
marketing



Natural Gas Sales Portfolio by Customer



Natural Gas Sales Portfolio by Price Structure



Natural Gas Sales Portfolio by Market Region

Natural Gas

During 1998, Pengrowth sold approximately 67 percent of its natural gas to aggregators under long-term reserve-dedicated contracts with netback pricing arrangements. The remaining 33 percent was sold directly to marketing companies based on the AECO index prices or fixed price contracts with terms under 12 months. Geographically, 40 percent of production was sold within Alberta, 14 percent was transported to Eastern Canada, while 46 percent was marketed to the United States. Pengrowth has firm transportation on the Nova pipeline system in Alberta, whereas the aggregators cover sales destinations outside of Alberta.

Pengrowth's average plantgate natural gas price for 1998 was C$1.78 per thousand cubic feet, a decrease of eight percent from the 1997 average price of C$1.94 per thousand cubic feet. Pengrowth's average price declined due to lower prices in the U.S. markets where the NYMEX price fell 21 percent from US$2.61 per million British thermal units to US$2.07 per million British thermal units. In comparison, natural gas prices in Canada strengthened by eight percent with AECO prices increasing from $1.88 per thousand cubic feet in 1997 to $2.04 per thousand cubic feet in 1998, and some of Pengrowth's fixed price summer contracts did not realize the full AECO price increase.

During 1999, Pengrowth has contracted to sell 3,927 million cubic feet of gas, representing approximately 19 percent of sales volumes, at an average fixed price of $2.46 per thousand cubic feet at the plant gate.

Natural gas prices in Alberta are expected to remain firm throughout 1999, as Canadian gas supply is not expected to keep pace with increased capacity from new export pipelines and strong demand south of the border.

Crude Oil

Pengrowth sells all its crude oil production to major refiners in Canada under annual and long-term contracts referenced to Edmonton posted prices which fluctuate daily with movements in the West Texas Intermediate ("WTI") crude oil price.

Light sweet crude oil represents approximately 87 percent of Pengrowth's portfolio while medium crude types make up the other 13 percent. The average grade of Pengrowth's production is a very high 40° API and Pengrowth's quality differential from Edmonton Light (the C$ equivalent of WTI) averaged $0.40 per barrel for most of 1998.

Pengrowth's 1998 average crude oil price decreased 25 percent from C$26.26 in 1997 to C$19.65 per barrel in 1998. In comparison, WTI decreased 30 percent from US$20.62 per barrel in 1997 to US$14.43 in 1998. The weakening Canadian dollar helped soften the impact of the WTI decrease.

The near-term outlook for crude oil prices is uncertain as global supply and inventory levels overshadow current demand.

Natural Gas Liquids

Pengrowth's natural gas liquids price averaged C$11.71 per barrel in 1998, a 40 percent decrease from 1997's price of C$19.65 per barrel reflecting the weak market for propane due to the poor heating season and reduced demand for condensate as a blending agent for heavy oil.

management's discussion and analysis

The following discussion and analysis of financial results should be read in conjunction with the financial statements for the year ended December 31, 1998 and is based on information available at February 28, 1999.

Significant Financial Transactions

- On October 15, 1998, Pengrowth Energy Trust ("EnergyTrust") received all of the proceeds from the $209.4 million final instalment of the October 1997 equity issue. The proceeds were used to reduce debt.
- Effective October 15, 1998, the EnergyTrust purchased beneficial interests in oil and gas pipeline and processing facilities in the Judy Creek and Swan Hills area from Pengrowth Corporation ("Corporation") for cash consideration of $106 million. EnergyTrust funded the acquisition from a portion of the proceeds from the October 1998 installment receipt. EnergyTrust has leased the facilities to Corporation, and Corporation has retained operatorship. This transaction improved the EnergyTrust's financial flexibility and tax efficiency.
- During 1998, Pengrowth spent $34.9 million in capital expenditures (net of acquisitions and dispositions) on development drilling and improvements to facilities.
- In addition to the Judy Creek facilities transaction, $6.4 million was spent on property and facility acquisitions in 1998 and proceeds of $2.1 million were received from property dispositions.

Results of Operations

Production

Production volumes averaged 25,894 barrels of oil equivalent per day in 1998, compared with an average of 14,716 barrels of oil equivalent per day in 1997. This 76 percent increase in production is attributed to the full year impact from the Judy Creek acquisition, which closed on October 15, 1997. Three major properties (Judy Creek Beaverhill Lake Unit, Judy Creek West Beaverhill Lake Unit, and the Swan Hills Unit No. 1) accounted for 57 percent of total production.

Daily Sales Volumes	1998	1997	% Change
Crude oil (bpd)	**16,695**	7,650	118
Natural gas (mcf/d)	**57,707**	51,355	12
Natural gas liquids (bpd)	**3,342**	1,856	80
Sulphur (boepd)	**86**	74	16
Total sales volumes (boepd)	**25,894**	14,716	76
Total annual sales volumes (mboe)	**9,451**	5,371	76

Production volumes were hampered slightly when forest fires advanced to within five miles of the Judy Creek plant facilities in May. As a precautionary measure, Pengrowth ceased all activity at the gas plant and oil production facility for three days. In addition, the area encountered numerous power disruptions after the fires abated. Although there was no impairment to Pengrowth's reserves or facilities as a result of the fires, the disruptions caused approximately four days of lost production.

Approximately 65 percent of Pengrowth's production in 1998 was from crude oil. Natural gas accounted for 22 percent of total production. Natural gas liquids (NGLs) and sulphur represented the remaining 13 percent.

In addition to the sales volumes reported above, Pengrowth produced and supplied 4,146 boe/d of injectants to the miscible flood projects at Judy Creek, Swan Hills, South Swan Hills and Virginia Hills (composed of 8,260 thousand cubic feet per day of natural gas and 3,320 barrels per day of NGLs). The value of proprietary injectants is not recorded in the accounting records until it is recovered as third party gas sales from the miscible flood.

Incremental Production to Miscible Flood	**1998**	1997	% Change
Daily natural gas & NGL production reinjected into miscible floods (boepd)	**4,146**	1,327	212
Annual natural gas & NGL production reinjected into miscible floods (mboe)	**1,513**	484	212

Revenues

Pengrowth's Average Prices	**1998**	1997	% Change
Crude oil ($/bbl)	**$ 19.65**	$ 26.26	(25)
Natural gas ($/mcf)	**$ 1.78**	$ 1.94	(8)
Natural gas liquids ($/bbl)	**$ 11.71**	$ 19.67	(40)
Total boe ($/boe)	**$ 17.84**	$ 22.78	(22)

The prices that Pengrowth received for its oil and NGL production declined sharply in 1998. Crude oil prices declined by 25 percent from 1997 levels in response to global oversupply. The price of NGLs decreased 40 percent in response to lower crude prices and reduced demand for condensate. Although natural gas prices ended the year strongly, the average price for 1998 decreased eight percent.

Pengrowth's oil and gas sales increased 39 percent from $121.1 million in 1997 to $168.6 million in 1998, as increased production from the Judy Creek acquisition offset the dramatic decline in commodity prices.

Oil & Gas Sales ($ millions)	**1998**	1997	% Change
Crude oil	**$ 119.8**	$ 73.3	63
Natural gas	**37.4**	36.3	3
Natural gas liquids	**14.3**	13.4	7
Sulphur	**0.1**	0.3	(67)
Less GOR royalties	**(3.0)**	(2.2)	36
Total Oil & Gas Sales	**$ 168.6**	$ 121.1	39

Pengrowth's crude oil is high quality light crude, averaged 40° API. The company's crude oil is marketed through annual supply contracts based on a negotiated premium over Edmonton posted prices that fluctuate daily with world oil markets. Pengrowth did not hedge any of its crude oil or NGL production in 1998.

Approximately 67 percent of Pengrowth natural gas supply is sold to aggregators which provide a basket of fixed and floating index-based prices, as well as exposure to various regions in the U.S. The remainder of Pengrowth's natural gas is sold on a direct basis at AECO. During 1998, Pengrowth sold 19 percent of its natural gas through fixed price physical delivery contracts. During 1999, Pengrowth has contracted to sell 3,927 million cubic feet of natural gas representing approximately 19 percent of sales volumes at an average fixed well-head price of $2.46 per thousand cubic feet.

Royalties

In 1998, crown, freehold, and mineral taxes were 12.5 percent of oil and gas sales or $21.1 million, compared to 16.2 percent of oil and gas sales in 1997 or $19.6 million. The proportion of crown royalties relative to sales decreased in 1998 as a result of credits available from the Crown for enhanced oil recovery projects. Royalties are sensitive to prices and production rates and consequently, they vary with the level of oil and gas sales. Pengrowth has reached the maximum allowable limit on the Alberta Royalty Credit ("ARC") program. Pengrowth's royalty rate may decrease slightly in 1999 as further credits are expected on enhanced oil recovery projects.

Operating Expenses

Oil and gas operating expenses increased to $59.2 million in 1998 from $34.2 million in 1997. This 73 percent increase in cost corresponds to the 76 percent increase in production volumes. It also reflects the higher costs associated with operating properties that are in the secondary oil recovery stage of their life cycle. Pengrowth's operating expenses are comprised of the following:

	1998		1997	
Operating Expenses	**$ million**	**$/boe**	$ million	$/boe
Direct operating costs	**$ 58.9**	**$ 6.23**	$ 34.4	$ 6.40
Amortized injectants	**5.3**	**0.56**	–	–
Calgary operations administration	**1.4**	**0.15**	–	–
Net profit from casinghead gas	**(6.4)**	**(0.68)**	(0.2)	(0.04)
Total oil and gas operating expenses	**$ 59.2**	**$ 6.26**	$ 34.2	$ 6.36
Facilities operating expenses	**2.6**	**0.28**	–	–
Total operating expenses	**$ 61.8**	**$ 6.54**	$ 34.2	$ 6.36

Injectants (mostly ethane and methane) are used in miscible flood programs to stimulate incremental oil recovery. The cost of injectants purchased from third parties is deferred and included in operating expense over the period of expected future economic benefit, which is currently 36 months. In 1998, Pengrowth purchased $22.2 million of injectants from third parties: $5.3 million of this total was included in Pengrowth's 1998 operating expenses and deducted from distributable income; whereas $16.9 million was deferred, temporarily debt financed, and is to be amortized in future periods.

Pengrowth expects the amount of injectants expensed in 1999 to increase as a result of this amortization policy, however, it also expects an increase in incremental oil and gas production in 1999 from the enhanced recovery projects.

The value of Pengrowth's proprietary injectants is not recorded until the injectants are re-produced from the flood and sold to third parties, although the cost of producing proprietary injectants is included in operating expense.

Pengrowth includes the administrative costs associated with its Calgary-based Operations Team in operating expense, whereas other companies may classify these as Corporate General and Administrative (G&A) costs.

The net profit from casinghead gas agreements is included in operating expense as these arrangements were intended to defray the operating costs of the Judy Creek Gas Conservation Plant.

Interest

During 1998, Pengrowth financed its capital expenditure program, property acquisitions, deferred injectant costs, and $209 million from the final instalment payment on its October 1997 equity issue. As a consequence, interest expense (net of interest income) increased from $3.5 million in 1997 to $14.5 million in 1998. A $0.9 million gain from an interest rate swap agreement on $220 million of bank debt to October 15, 1998 helped to defray interest costs during the year. Interest expense is expected to decrease significantly in 1999 as a result of lower debt levels.

Facilities Lease Income and Operating Expense

Effective October 1998, EnergyTrust purchased facilities in the Judy Creek and Swan Hills area from the Corporation. EnergyTrust's lease income from the facilities is offset by a comparable lease expense in Corporation.

General and Administrative

General and administrative expenses increased from $2.8 million in 1997 to $5.4 million in 1998, reflecting a full year impact of the Judy Creek acquisition and the related increase in staff and scope of operations. General and administrative costs per barrel of oil equivalent also increased 14 percent from $0.51 per barrel of oil equivalent in 1997 to $0.58 per barrel of oil equivalent in 1998. No salaries or consulting charges were capitalized as acquisition costs in 1998 due to the low level of acquisition activity. General and administrative expenditures are expected to increase only marginally in 1999 as Pengrowth is now staffed to its full complement.

Management Fee

Management fees were $2.9 million in 1998 compared to $2.4 million in the previous year. On a unit of production basis, management fees decreased 30 percent from $0.44 per boe in 1997 to $0.31 per boe in 1998. Management fees are based on a sliding scale percentage of net operating revenue including the Alberta Royalty Credit.

Level of Income	Fee
First $50 million	3.5%
Next $50 million	3.0%
All amounts over $100 million	2.5%

The Manager also earns a fee of 1.5 percent on the purchase price of oil and gas properties acquired by Pengrowth. The Management Agreement currently has a minimum term of two years, however, an extension of the Management Agreement for a three-year term will be considered at the annual meeting of trust unitholders in 2000.

Depletion

Depletion of the royalty interest and facilities is provided on the unit of production method based on proven reserves, with the conversion of gas to oil using their relative energy content (6 mcf gas = 1 bbl). The provision for depletion increased 92 percent from $35.7 million ($6.65 per boe) in 1997 to $68.4 million ($7.23 per boe) in 1998 due to a significantly larger depletable asset base and higher production.

Potential Ceiling Test Write-Down in 1999

EnergyTrust places a limit on the carrying value of the royalty interest, facilities, and other assets (the "ceiling test"). The cost of these assets less accumulated depletion is limited to the estimated future net revenue from proven reserves (based on unescalated prices and costs at the balance sheet date) less estimated future general and administrative costs, financing costs, site restoration costs, and management fees. The December 31, 1998 prices used in the ceiling test were US$12.05 per barrel of WTI crude oil and C$2.30 per thousand cubic feet of natural gas.

Under generally accepted accounting principles, EnergyTrust qualifies for a two-year exemption from write-down in connection with the October 1997 acquisition of properties in the Judy Creek and Swan Hills area. This exemption recognizes that acquisitions are made on assumptions of future prices and development potential that is not recognized by the ceiling test methodology. Properties with a carrying value of $474 million have been excluded from the ceiling test. If such an exemption were not available, EnergyTrust would require a crude oil price of US$14.10 WTI per barrel and a natural gas price of $2.30 per thousand cubic feet as at December 31, 1998 to avoid a write-down. A write-down of the royalty interest and facilities may be required later in 1999 depending, among other factors, on the price of oil and gas at that time.

Future Site Restoration

An engineering estimate of the future costs for restoration and abandonment of well sites and facilities is updated annually. This cost estimate is amortized over the life of the properties on a unit of production basis. The provision for future site restoration increased from $3.2 million in 1997 to $4.6 million in 1998 as a result of higher production. The 1999 provision is expected to increase as a result of higher production.

Remediation Trust Fund

As part of the Judy Creek/ Swan Hills property acquisition in October 1997, Pengrowth established a trust to fund remediation obligations of the Judy Creek properties. Pengrowth has committed to make the following contributions to the Remediation Trust:

Date	Amount
October 15, 1999	$ 1,250,000
October 15, 2000	$ 1,750,000
October 15, 2001 and each subsequent year	$ 250,000
Additional monthly payment	$0.10 per boe produced from the Judy Creek properties

Every five years, the contribution level is assessed by comparing the trust balance to the outstanding remediation obligations. Imperial Oil Resources' consent must be obtained in regard to changes in the contribution level, however, if Imperial does not consent, the matter may be arbitrated. Pengrowth expects to make a contribution of approximately $1.7 million to the Remediation Trust Fund in 1999.

Taxes

Tax expense of $0.9 million in 1998 ($1.4 million in 1997) consists of the federal Large Corporations Tax and the Saskatchewan Capital Tax and Resource Surcharge.

EnergyTrust files an annual income tax return. Taxable income is comprised of net royalty income and net income earned from direct investments, less deductions for Canadian Oil and Gas Property Expense, Resource Allowance, Capital Cost Allowance and issue expenses. Any remaining taxable income is allocated to unitholders. EnergyTrust did not have taxable income in 1998, as was the case in 1997. All tax deferred distributions are considered a return of capital and will reduce the unitholder's cost base for purposes of calculating a capital gain or loss upon ultimate disposition of the trust units.

At December 31, 1998 EnergyTrust had unused tax deductions of $12.01 per trust unit compared to $9.56 per unit at December 31, 1997. Depending on the level of acquisitions and dispositions, a portion of the 1999 cash distributions may become taxable in the hands of unitholders.

Interest on Instalment Receivable

On October 15, 1997 EnergyTrust completed an equity offering of 23.9 million trust units on an instalment receipt basis with $12.50 paid on closing and the balance of $8.75 per unit due one year after closing. In accordance with generally accepted accounting principles, EnergyTrust recorded the instalment receivable at its present value of $199.4 million at closing, and then recognized the discount to face value as interest income over the next twelve months. The $7.9 million interest recognized in 1998 represents the difference between the ultimate receipt of $209.4 million on October 15, 1998 and the $201.5 million discounted value of the receivable at the December 31, 1997. This income will not recur in 1999.

Distributable Income

Distributable income is calculated by adding back the non-cash items (depletion and future site restoration) to net income and adjusting for the actual ARC received. Distributable income for 1998 increased 13 percent to $72.1 million from $63.6 million in 1997 reflecting the increased cash flow from the Judy Creek/Swan Hills properties acquired in October 1997.

On a per unit basis, distributable income is measured with reference to actual distributions paid and declared. The weighted average units outstanding is often not the best reference for individual unitholders as it may not have a direct relationship to actual distributions received by unitholders if EnergyTrust does an equity issue during the year.

Distributable income per trust unit decreased 24 percent to $1.525 in 1998 from $2.017 in 1997 reflecting the impact of lower oil prices. As indicated in Note 8 to the financial statements, there is a balance of $2.1 million or approximately $0.045 per unit that has been earned but not yet paid or declared at December 31, 1998 (1997 – $2.2 million or $0.047 per unit). This amount will be distributed in the first quarter of 1999.

Netbacks per Barrel of Oil Equivalent

The following table analyzes the cash netback on a unit of production basis for 1998 (annual production of 9,451,000 boe) and 1997 (annual production of 5,371,000 boe).

	1998	1997
Oil and gas sales	**$ 17.84**	$ 22.53
Processing and other income	**0.34**	0.52
Interest income	**1.00**	0.40
Facilities lease income	**0.59**	–
Total revenues	**$ 19.77**	$ 23.45
Royalties (net of ARC)	**(2.10)**	(3.38)
Operating costs	**(6.26)**	(6.36)
Facilities operating costs	**(0.28)**	–
Facilities lease expense	**(0.59)**	–
Operating netback	**$ 10.54**	$ 13.71
General and administrative	**(0.58)**	(0.51)
Management fees	**(0.31)**	(0.44)
Interest	**(1.69)**	(0.65)
Remediation Trust fund	**(0.23)**	–
Taxes and other	**(0.10)**	(0.26)
Cash netback (distributable income)	**$ 7.63**	$ 11.85

Despite low oil prices in 1998, EnergyTrust generated a positive operating netback of $10.54 per barrel of oil equivalent and an all-in cash netback of $7.63 per barrel of oil equivalent which is reflective of the underlying quality of Pengrowth's properties.

Capital Expenditures

During 1998, Pengrowth spent $34.9 million in capital expenditures (net of acquisitions and dispositions), compared to $17.5 million in 1997. These investments were financed from bank borrowings.

Capital Expenditures by Property ($ millions)	Development Drilling & Completion	Plant and Production Facilities	Total Capital Expenditures
Judy Creek	$ 8.9	$ 5.0	$ 13.9
Steelman	3.2	0.6	3.8
Niton	1.6	0.4	2.0
Minehead	1.8	0.2	2.0
Weyburn	1.2	0.8	2.0
Swan Hills	1.6	0.3	1.9
Monogram	1.7	0.2	1.9
Others	5.3	2.1	7.4
Total	**$ 25.3**	**$ 9.6**	**$ 34.9**

In 1998, Pengrowth drilled, completed and tied-in six horizontal injector wells in the Judy Creek A Pool at a cost of approximately $9.8 million. This expenditure essentially prepaid the cost for a significant portion of the 1999 development program at Judy Creek. As a result, Pengrowth expects the level of capital expenditures to decrease in 1999, although the prospects for edge well drilling in Judy Creek will not be known until the 3-D seismic has been interpreted.

Acquisitions and Dispositions

Effective October 15, 1998, EnergyTrust purchased pipeline and processing facilities in the Judy Creek and Swan Hills area from Pengrowth Corporation for cash consideration of $106 million. EnergyTrust funded the $106 million acquisition from a portion of the proceeds from the instalment receipt equity issue. The consideration was both the estimated fair market value and the carrying value on the records of Corporation. EnergyTrust has leased the facilities to Corporation, and Corporation has retained operatorship. This transaction improved Pengrowth's financial flexibility, as Corporation applied the proceeds to reduce bank debt. EnergyTrust will be eligible for an income tax deduction on the capital cost allowance associated with the facilities.

In addition, Pengrowth spent $6.4 million on property and facility acquisitions in 1998. It purchased an incremental 16.81 percent working interest in West Eagle Unit No. 1 for $3.5 million, an incremental 1.53 percent working interest in the Strachan Gas Plant for $2.2 million, and an incremental 2.25 percent of Harmattan East Viking Unit No. 1 for $0.7 million. These acquisitions were financed with bank borrowings and the proceeds from property dispositions (outlined below).

Dispositions totaled $2.1 million in 1998; interests in Clive Area properties were sold for proceeds of $1.8 million, and interests in the Steelman Non-Unit and Lanaway were sold for $0.3 million.

Financial Resources and Liquidity

EnergyTrust was highly levered to crude oil prices in 1998, and despite the low oil price environment, continued to generate attractive cash flow for its unitholders. The 1998 distributable income of $72.1 million represented an all-in cash netback of $7.63 per boe of production or $1.525 per trust unit.

During 1998, Pengrowth raised net cash proceeds of $210 million from the final instalment equity issue, the employee trust unit option plan and the Distribution Reinvestment Plan ("DRIP"). These funds were used to repay bank debt, although bank financing was used to fund capital expenditures of $34.9 million, deferred injectant costs of $16.9 million, and net acquisitions of $4.3 million.

Bank Debt in Pengrowth Corporation/EnergyTrust		$ millions
Beginning balance January 1, 1998	$	282.3
Less: Proceeds from equity issue, Trust Unit Option Plan and DRIP		(210.6)
Net of interest income on instalment receipt		10.0
Add: Capital expenditures		34.9
Deferred injectants (temporarily debt financed)		16.9
Acquisitions (net of dispositions)		4.3
Purchase of marketable securities		2.6
Purchase of computer equipment, software and other		1.5
Change in working capital		14.7
Total Bank Debt December 31, 1998		156.6
Less: cash, term deposits and marketable securities		(21.9)
Total Net Bank Debt at December 31, 1998	$	134.7

With net bank debt of $134.7 million, Pengrowth has a trailing net debt to 1998 distributable income ratio of 1.9 times, which represents a conservative capital structure in relation to most other oil and gas producers and income funds at this time.

Pengrowth currently has $310 million in committed revolving credit facilities and $40 million of demand bank lines available. Pengrowth is confident it can fund its 1999 capital expenditure program from bank debt, while still maintaining the flexibility to pursue acquisitions. It is management's intention to maintain a conservative capital structure and to replenish credit capacity by issuing equity when appropriate.

Trust Unit Information

As at December 31, 1998 there were 47,368,765 trust units outstanding, a marginal increase over the 47,287,950 units outstanding at December 31, 1997 as a result of units issued pursuant to the employee Trust Unit Option Plan and the Distribution Reinvestment Plan.

Although funds were received in 1998 pursuant to the instalment receipt equity issue, the trust units associated with this offering were issued in 1997.

Trust Unit Trading		High	Low	Close	Volume (000s)	Value ($ millions)
1998	1st quarter	$ 18.45	$ 14.30	$ 16.70	2,644	$ 44.8
	2nd quarter	17.35	13.50	14.40	2,045	32.2
	3rd quarter	14.75	10.05	11.75	3,101	38.1
	4th quarter	13.95	10.00	11.00	4,289	49.5
		$ 18.45	**$ 10.00**	**$ 11.00**	**12,079**	**$ 164.6**
1997	1st quarter	$ 17.75	$ 15.00	$ 16.00	3,058	$ 49.4
	2nd quarter	18.50	15.20	18.30	2,092	35.6
	3rd quarter	22.45	18.00	22.15	2,853	57.7
	4th quarter	22.05	17.00	18.00	2,542	50.0
		$ 22.45	$ 15.00	$ 18.00	10,545	$ 192.7

Net Asset Value (December 31, 1998) ($ thousands)	Present Worth Discounted at 10%	12%	15%
Established reserves*	$ 714,822	$ 636,025	$ 544,521
Current assets	23,697	23,697	23,697
Less due to Corporation	(156,152)	(156,152)	(156,152)
Net asset value	**$ 582,367**	**$ 503,570**	**$ 412,066**
Per unit†	**$ 12.29**	**$ 10.63**	**$ 8.70**

* Proven plus half probable reserves
* Based on Gilbert Laustsen Jung Associates Ltd.'s report dated February 12, 1999, effective December 31, 1998.
† Based on 47,368,765 trust units outstanding.

Business Risks

Pengrowth Energy Trust is subject to numerous risk factors associated with the oil and gas business. These risk factors include, but are not limited to, the following influences:

- Crude oil, natural gas, and natural gas liquids prices which fluctuate due to market forces.
- Canadian/U.S. dollar exchange rates which influence revenues and, to a lesser extent, operating and capital costs.
- Geological and operational risks that affect the quantity and quality of reserves and the costs of recovering those reserves.
- Government royalty legislation, income tax laws, environmental laws and regulatory initiatives.
- Changing interest rates and variations in the cost and availability of capital.
- Environmental and safety risks associated with production.
- Marketing risk associated with transporting product to market and collecting receivables from customers.
- Computer processing risks associated with the Year 2000 issue or other similar problems that may affect EnergyTrust's operational and financial reporting and ability to conduct normal business operations.

Pengrowth mitigates some of these risks by:

- Employing highly qualified and motivated professional staff
- Adhering to strict investment criteria for acquisitions
- Acquiring mature production with long-life reserves and proven production capability
- Geographically diversifying its portfolio
- Controlling costs to maximize profitability
- Developing and adhering to safety and environmental policies and practices
- Ensuring strong third-party operators for non-operated properties
- Carrying insurance to cover physical losses and business interruption

At the current time, Pengrowth has fixed the price on approximately 20 percent of its natural gas sales for 1999, however, it has not hedged crude oil prices or the Canadian exchange rate. In the past, EnergyTrust has fixed interest rates through the use of interest rate swaps, however, at the current time, its bank debt is based on floating rates.

Pengrowth has conducted a Year 2000 assessment of its information systems. This review included in-house testing, vendor certification, and independent systems reviews. In connection with assuming operatorship of Judy Creek, Pengrowth has substantially replaced or upgraded its financial and production accounting systems, database systems, network and desktop systems, operating systems, control devices, and telephone systems. The last critical system replacement that was known to be non-Year 2000 compliant (the Area Measurement System) was well underway at year end. Pengrowth is developing contingency and disaster recovery plans at its Judy Creek facility and Calgary office in the event of Year 2000 problems. While Pengrowth has designed a plan to mitigate the effects of the Year 2000 issue, it is not possible to be certain that all aspects of the issue affecting Pengrowth, including those related to efforts of customers, suppliers, or other third parties, will be fully resolved.

Sensitivities

The following sensitivity analysis estimates the impact that changes to commodity prices, production levels and exchange rates may have on unitholder distributions. The analysis is based on year-end prices, production levels, and exchange rates.

Sensitivity Analysis	Effect on per unit Distributions
Change of US$1.00 in the price of oil	$ 0.16
Change of C$0.10 in the price of natural gas	$ 0.03
Change of C$0.01 in the US$/C$ exchange rate	$ 0.03
Change of 1% in interest rates	$ 0.03
10% change in crude oil production	$ 0.17
10% change in natural gas production	$ 0.08
10% change in NGL production	$ 0.02

Business Prospects

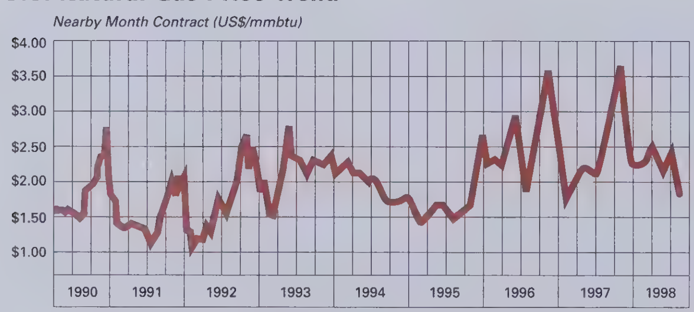
The near-term outlook for oil prices is uncertain, with factors such as global oversupply, high inventory conditions, and weak demand from Asia overhanging the market for much of 1999. The outlook for natural gas is considerably brighter, with North American demand continuing to grow and new pipeline projects providing greater access to premium priced markets. Pengrowth would prefer to diversify its product portfolio with more natural gas production, however, it will continue to be selective and disciplined in its acquisition criteria.

Low oil prices have impaired the financial condition of many companies in the oil and gas industry, and pressure to reduce debt levels is expected to create opportunities to acquire high quality reserves at reasonable prices in 1999. Pengrowth is well positioned to take advantage of these opportunities, having waited patiently through 1998 for the price of properties to decline to more reasonable levels.

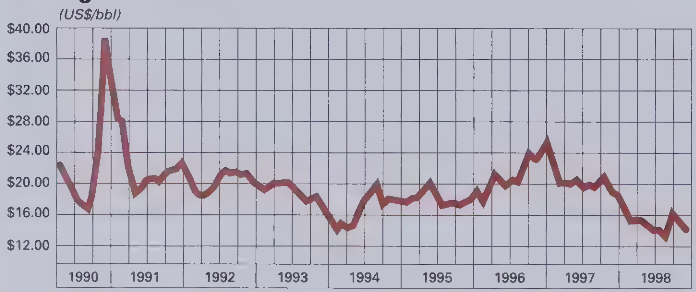
Pengrowth's internal development prospects look promising. At the time of writing, the first two Judy Creek horizontal miscible patterns were recording incremental oil production of approximately 1,500 barrels of oil per day, with the third pattern just beginning to show signs of response. The production response is exciting, although, further history is required before the full extent of the response is known. In addition, a two phase 3-D seismic program is expected to yield targets for edge well drilling in the Judy Creek A Pool.

1999 is expected to be an interesting year for Pengrowth as it weathers the current low oil price environment behind the safety of its high quality asset base, prudent management and conservative capital structure. Adversity brings opportunity, and Pengrowth is well positioned to take advantage of opportunities as they arise.

U.S. Natural Gas Price Trend



WTI Light Crude Oil Price Trend



Certain revenues and costs are expressed on a barrel of oil equivalent basis (boe), converting gas sales volumes to barrels of oil at 10 thousand cubic feet per barrel. This is a commonly used conversion ratio in the Canadian oil and gas industry, but not necessarily reflective of relative energy content or value.

management's report

The financial statements are the responsibility of the management of Pengrowth Energy Trust. They have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of three non-management directors. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

KPMG, the independent auditors appointed by the unitholders, have audited EnergyTrust's financial statements in accordance with generally accepted auditing standards and provided an independent professional opinion. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.

James S. Kinnear
President and Chief Executive Officer

Robert J. Waters
Vice President, Finance
and Chief Financial Officer

March 8, 1999

auditors' report

To the unitholders of Pengrowth Energy Trust

We have audited the balance sheets of Pengrowth Energy Trust as at December 31, 1998 and 1997 and the statements of income and distributable income, royalty income calculation, unitholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Pengrowth Energy Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Pengrowth Energy Trust as at December 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

March 8, 1999

balance sheets

As at December 31	1998	1997
ASSETS		
CURRENT ASSETS		
Cash and term deposits	**$ 5,434,740**	$ 228
Marketable securities	**2,648,822**	–
Alberta Royalty Credit receivable	**1,325,606**	1,210,510
Due from Pengrowth Corporation	**14,287,722**	17,322,715
Instalment receivable	**–**	201,508,077
	23,696,890	220,041,530
ROYALTY INTEREST, FACILITIES, AND OTHER ASSETS (Note 3)	**720,280,876**	727,866,443
	$ 743,977,766	$ 947,907,973
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Distributions payable to unitholders	**$ 13,486,675**	$ 19,426,184
Accounts payable	**959,129**	–
	14,445,804	19,426,184
FUTURE SITE RESTORATION COSTS	**12,854,272**	6,180,000
DUE TO PENGROWTH CORPORATION (Note 3)	**156,152,264**	289,515,516
UNITHOLDERS' EQUITY	**560,525,426**	632,786,273
	$ 743,977,766	$ 947,907,973

Approved on behalf of Pengrowth Energy Trust
by Pengrowth Corporation, as Administrator:

Frank Vetsch
Director

John Zaozirny
Director

statements of income and distributable income

Years ended December 31	1998	1997
REVENUES		
Royalty income	**$ 76,668,283**	$ 75,468,865
Crown royalties	**(18,054,578)**	(15,402,336)
Alberta Royalty Credit	**1,342,297**	1,214,057
Facilities lease income (Note 7)	**5,533,503**	–
Interest on instalment receivable	**7,866,928**	2,103,310
Interest income	**1,520,267**	8,280
NET REVENUE	**74,876,700**	63,392,176
EXPENSES		
Facilities operating expenses	**2,644,149**	–
Depletion and depreciation	**68,363,722**	35,663,000
Future site restoration	**4,635,628**	3,200,000
	75,643,499	38,863,000
NET INCOME (LOSS)	**(766,799)**	24,529,176
Add: Depletion and future site restoration	**72,999,350**	38,863,000
Alberta Royalty Credit received during year	**1,227,200**	1,456,200
Deduct: Alberta Royalty Credit accrued for year	**(1,342,297)**	(1,214,057)
DISTRIBUTABLE INCOME	**$ 72,117,454**	$ 63,634,319
PER UNIT		
Net revenue	**$ 1.582**	$ 2.195
Net income (loss)	**$ (0.016)**	$ 0.868
DISTRIBUTABLE INCOME (Note 8)	**$ 1.525**	$ 2.017

The per unit amounts for net revenue and net income (loss) are based on weighted average units outstanding calculated on a quarterly basis. The per unit amounts for distributable income reflect actual distributions paid or declared.

statements of royalty income calculation

Years ended December 31	**1998**	1997
REVENUES		
Oil and gas sales	**$ 168,585,453**	$ 121,053,580
Processing and other income	**3,203,157**	2,811,873
Interest income	**87,073**	24,244
Freehold and other royalties	**(1,725,643)**	(2,220,550)
Freehold mineral taxes	**(1,306,673)**	(1,956,038)
	168,843,367	119,713,109
EXPENSES		
Operating (Note 6)	**59,165,918**	34,181,722
Interest (including $15,854,105 on long-term debt; 1997 – $3,449,081)	**15,996,643**	3,494,373
Facilities lease expense (Note 7)	**5,533,503**	–
General and administrative	**5,446,183**	2,758,337
Management fee	**2,891,601**	2,389,036
Remediation trust fund	**2,174,790**	–
Capital taxes	**926,856**	1,367,000
	92,135,494	44,190,468
ROYALTY INCOME ATTRIBUTABLE TO ROYALTY UNITS	**$ 76,707,873**	$ 75,522,641
AVERAGE PERCENTAGE OF ROYALTY UNITS OWNED BY PENGROWTH ENERGY TRUST	**99.949%**	99.929%
ROYALTY INCOME ATTRIBUTABLE TO PENGROWTH ENERGY TRUST	**$ 76,668,283**	$ 75,468,865

statements of changes in financial position

Years ended December 31	1998	1997
CASH PROVIDED BY (USED FOR):		
OPERATING		
Net income (loss)	**$ (766,799)**	$ 24,529,176
Items not involving cash		
Depletion, depreciation and future site restoration	**72,999,350**	38,863,000
Funds generated from operations	**72,232,551**	63,392,176
Distributions	**(78,056,963)**	(54,864,701)
Changes in non-cash operating working capital	**4,958,541**	(6,431,495)
	(865,871)	2,095,980
FINANCING		
Proceeds from issue of trust units	**623,406**	477,056,778
Instalment receivable	**201,508,077**	(201,508,077)
	202,131,483	275,548,701
INVESTING		
Purchase of facilities	**(106,000,002)**	–
Purchase of royalty interest	**(88,141,405)**	(277,652,011)
Purchase of marketable securities	**(2,648,822)**	–
Change in non-cash investing working capital	**959,129**	–
	(195,831,100)	(277,652,011)
INCREASE (DECREASE) IN CASH	**5,434,512**	(7,330)
CASH AND TERM DEPOSITS AT BEGINNING OF YEAR	**228**	7,558
CASH AND TERM DEPOSITS AT END OF YEAR	**$ 5,434,740**	$ 228

statements of unitholders' equity

Years ended December 31	**1998**	1997
Unitholders' equity at beginning of year	**$ 632,786,273**	$ 194,834,638
Units issued, net of issue costs (Note 4)	**623,406**	477,056,778
Net income (loss) for year	**(766,799)**	24,529,176
Distributable income	**(72,117,454)**	(63,634,319)
UNITHOLDERS' EQUITY AT END OF YEAR	**$ 560,525,426**	$ 632,786,273

notes to financial statements

December 31, 1998

Note 1. Structure of the Trust

Pengrowth Energy Trust ("EnergyTrust") is a closed-end investment trust created under the laws of the Province of Alberta pursuant to a Trust Indenture dated December 2, 1988 (as amended) between Pengrowth Corporation ("Corporation") (formerly Pengrowth Gas Corporation) and Montreal Trust Company of Canada. Operations commenced on December 30, 1988. The beneficiaries of EnergyTrust are the holders of trust units (the "unitholders").

EnergyTrust acquires and holds royalty units issued by the Corporation which entitles EnergyTrust to the net revenue generated by Corporation's oil and natural gas properties less certain defined changes. As at December 31, 1998 the EnergyTrust owned 99.949 percent of the royalty units issued by the Corporation. In addition, unitholders are entitled to receive the net cash flows from other investments which are held directly by EnergyTrust.

Under the terms of the Royalty Indenture, the Corporation is entitled to retain a 1 percent share of royalty income and all miscellaneous income (the "Residual Interest") to the extent this amount exceeds the aggregate of debt service charges, general and administrative expenses, and management fees. In 1998, the Corporation was not eligible to retain this Residual Interest.

Pengrowth Management Limited (the "Manager") is responsible for the management of the business affairs of the Corporation and the administration of EnergyTrust. The Manager receives a sliding scale management fee from the Corporation. The shares of the Corporation are wholly owned by the Manager and the Manager is controlled by a director of the Corporation.

Note 2. Significant Accounting Policies

Royalty Interest, Facilities and Other Assets

EnergyTrust follows the full cost method of accounting for the royalty interest, facilities and other assets whereby all costs of acquiring such interests are capitalized and depleted on the unit of production method based on proved reserves before royalties as estimated by independent engineers. Natural gas sales and reserves are converted to equivalent units of crude oil using their relative energy content.

EnergyTrust places a limit on the aggregate carrying value of the royalty interest, facilities, and other assets that may be carried forward for depletion against revenues of future periods (the "ceiling test"). The cost of these assets less accumulated depletion is limited to an amount equal to the estimated future net revenue from production of proved reserves (based on unescalated prices and costs at the balance sheet date) less estimated future general and administrative costs, financing costs, site restoration costs, and management fees.

Injectant Costs

Injectants (mostly ethane and methane) are used in miscible flood programs to stimulate incremental oil recovery. The cost of injectants purchased from third parties for miscible flood projects is deferred and included in operating expense over the period of expected future economic benefit (currently 36 months).

Future Site Restoration Costs

Provisions for future site restoration costs are made over the life of the royalty interest and facilities using the unit of production method. Costs are based on engineering estimates considering current regulations, costs and industry standards. The Corporation has placed cash in a segregated remediation trust account to fund actual site restoration costs for the Judy Creek properties.

Income Taxes

EnergyTrust is a taxable trust under the Income Tax Act (Canada) and it allocates all of its income to its unitholders. No provision has been made for income taxes in these financial statements, as income taxes are the responsibility of the individual unitholders. In 1998 and 1997, EnergyTrust had taxable income of nil.

Comparative figures

Certain comparative figures have been restated to conform to the presentation adopted in the current year.

Note 3. Royalty Interest, Facilities and Other Assets

	1998	1997
Royalty Interest	**$ 608,323,306**	$ 520,181,901
Other Assets	**156,152,264**	289,515,516
Subtotal	**764,475,570**	809,697,417
Less accumulated depletion	**(148,170,096)**	(81,830,974)
Facilities (Note 7)	**106,000,002**	–
Less accumulated depreciation	**(2,024,600)**	–
Net book value	**$ 720,280,876**	$ 727,866,443

Other Assets/Due to Pengrowth Corporation

"Other Assets" represent EnergyTrust's interests in oil and gas properties which Pengrowth Corporation has financed through long-term debt and working capital. A corresponding liability "Due to Pengrowth Corporation" recognizes the fact that Corporation retains a preferential right over the Royalty unitholders to ensure repayment of these obligations. In the event that the properties owned by the Corporation do not generate sufficient cash flow to discharge these obligations, EnergyTrust unitholders will have no liability.

Ceiling Test

In conducting the 1998 ceiling test evaluation, EnergyTrust has followed generally accepted accounting standards which provide for a two year exemption from write-down where the purchase price of reserves has been determined on a basis which provides a higher amount than the ceiling test value, and where the excess is not considered to represent a permanent impairment in the ultimate recoverable amount. EnergyTrust qualifies for the exemption in connection with the October 1997 acquisition of properties acquired in the Judy Creek and Swan Hills area. Properties with a carrying amount at December 31,1998 of $474 million have been excluded from the ceiling test.

If such an exemption was not available, at December 31, 1998 the capitalized costs with respect to the oil and gas properties would equal estimated future net revenues from proven reserves if prices were US$14.10 WTI per barrel of oil and C$2.30 per thousand cubic feet for natural gas.

A write-down of the royalty interest and facilities may be required in 1999 depending, among other factors, on the price of oil and natural gas at that time.

Note 4. Trust Units

During 1997 the authorized capital of EnergyTrust was increased from 100,000,000 to 500,000,000 trust units.

Trust Units Issued	Number Of Units	Amount
Balance, December 31, 1996	23,014,945	$ 242,529,891
Issued for cash	344,433	5,262,124
Issued for cash and instalment receivable	23,928,572	508,482,155
Less: imputed interest on instalment	–	(9,970,238)
Less: commissions and issue expenses	–	(26,717,263)
Balance, December 31, 1997	47,287,950	719,586,669
Issued for cash	80,815	1,184,734
Less: issue expenses	–	(561,328)
Balance, December 31, 1998	47,368,765	$ 720,210,075

Pursuant to the terms of the Royalty Indenture and the Trust Indenture there is attached to each Royalty unit granted by the Corporation the right to exchange such Royalty unit for an equivalent number of trust units. Montreal Trust, as Trustee has reserved 18,940 trust units for such future conversion.

Distribution Unit Reinvestment Plan

The distribution reinvestment plan (DRIP) entitles unitholders to reinvest cash distributions in additional units of EnergyTrust. The trust units under the plan may be acquired in the open market at prevailing market prices or issued from treasury. The price of the units issued from treasury is the weighted average price of all trust units on the Toronto Stock Exchange for the 20 trading days preceding a distribution payment date. During 1998 a total of 12,481 trust units (1997 – 122,303) were issued from treasury pursuant to the plan for consideration of $152,156 (1997 – $2,126,740).

Trust Unit Options

As at December 31, 1998, options to purchase 4,075,847 trust units were outstanding (1997 – 3,743,635). These options were held by directors, officers, employees and consultants of the Corporation, and are exercisable at prices of $9.79 to $20.50 per unit. The options have a weighted average exercise price of $16.79 and expire at various dates to October 16, 2003.

Note 5. Remediation Trust Fund

Pursuant to a Purchase and Sale Agreement dated August 15, 1997 between Pengrowth Corporation and Imperial Oil Resources ("Imperial"), a trust was established to fund remediation obligations of the Judy Creek and Swan Hills properties. The Corporation has agreed to make the following contributions to the Judy Creek Remediation Trust:

Date	Amount
October 15, 1999	$ 1,250,000
October 15, 2000	$ 1,750,000
October 15, 2001 and each subsequent year	$ 250,000
Monthly payment	$0.10 per barrel of oil equivalent produced from the Judy Creek properties

Every five years the Corporation must deliver a report to Imperial evaluating the assets in the trust fund and the outstanding remediation obligations, and make recommendations as to whether contributions should be raised, decreased or maintained at their current level. Imperial's consent must be obtained in regard to changes in the contribution level. If Imperial does not consent, the matter may be arbitrated. Montreal Trust Company of Canada is the trustee for the Remediation Trust Fund.

Note 6. Operating Expenses

Operating expenses are comprised of the following:

	1998	1997
Direct operating expenditures	**$ 60,301,033**	$ 34,356,691
Amortized injectant costs	**5,329,651**	–
Net profit from casinghead gas sales	**(6,464,766)**	(174,969)
Total operating expenses	**$ 59,165,918**	$ 34,181,722

Note 7. Related Party Transactions

Pengrowth Management Limited provides certain services pursuant to a management agreement for which EnergyTrust, through the Corporation, paid $96,147 (1997 – $7,934,882) for acquisition fees and $2,891,601 (1997 – $2,389,036) for a management fee. The law firm controlled by the corporate secretary received $215,828 (1997 – $434,755) for legal services provided to the Corporation.

Effective October 15, 1998, EnergyTrust purchased beneficial interests in certain oil and gas pipeline and processing facilities in the Judy Creek and Swan Hills areas from Pengrowth Corporation. The cash consideration of $106 million was the carrying value of the facilities in the records of the Corporation. EnergyTrust has leased the facilities to Corporation for $13,780,000 annually plus operating costs under a three-year operating lease which is renewable at the option of Corporation for an additional three years. The Corporation retained operatorship of the facilities. EnergyTrust has issued a guarantee and a $200 million debenture granting a first fixed security interest in the facilities to the financial institutions which held a similar security interest in the facilities when they were owned by the Corporation.

As at December 31, 1998, Corporation has provided a $5 million letter of credit to an investment dealer to guarantee amounts owing to the investment dealer by Pengrowth Management Limited and officers, directors, employees, and consultants of Corporation pursuant to a company sponsored plan for purchasing trust instalment receipts. The amount of the letter of credit may change depending on the market price of trust units, EnergyTrust distributions, and interest rates.

Note 8. Distributions

Distributions paid and declared

	Per Unit	
	1998	1997
First quarter	**$ 0.4300**	$ 0.5500
Second quarter	**0.3550**	0.5730
Third quarter	**0.3300**	0.3900
Fourth quarter	**0.4100**	0.5040
	$ 1.5250	$ 2.0170

Balance to be Distributed

As at December 31, 1998 there was a balance of $2,118,170 or $0.045 per unit that had been earned but had not yet been paid or declared (1997 – $2,211,780 or $0.047 per unit).

Note 9. Financial Instruments

The fair value of the marketable securities at December 31, 1998 was $2,685,664. The carrying value of the remaining financial instruments approximates their fair value due to their short maturity.

Note 10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. While EnergyTrust has designed a plan to mitigate the expected effects of the Year 2000 Issue, it is not possible to be certain that all aspects of the issue affecting EnergyTrust, including those related to efforts of customers, suppliers, or other third parties will be fully resolved.

corporate governance

EnergyTrust is a closed end unincorporated investment trust established for the purpose of holding royalty units of Pengrowth Corporation and other permitted investments, and issuing trust units to the public. The terms of the royalty units are governed by a Royalty Indenture, and EnergyTrust is governed by a Trust Indenture. The Trustee under the Royalty and Trust Indenture is Montreal Trust Company of Canada.

Role of the Trustee, Manager, and Administrator

Under the Trust Indenture, the Trustee is granted any and all rights, powers and privileges that could be exercised by a beneficial owner of EnergyTrust, except as prohibited by law. The Trustee is also permitted to delegate many of these powers including the appointment of a manager. Pengrowth Management Limited is designated as the manager under a Management Agreement with EnergyTrust and the Corporation. It oversees the acquisition, development, operation, and disposition of Pengrowth Corporation's properties, and the administration and retention of staff and consultants. The Trustee has appointed Corporation, as administrator of EnergyTrust, to assume those functions of the Trustee which are largely discretionary, subject to the powers and duties of the manager.

Mandate of the Board of Directors of Pengrowth Corporation

The Unanimous Shareholder Agreement of Corporation provides that the Board of Directors of Corporation shall consist of two nominees of the manager and three independent directors. EnergyTrust unitholders are given the authority to elect the independent members of the Board of Directors.

The authority of the Board of Directors of Corporation is limited in respect of EnergyTrust by any discretion reserved by the Trustee and any powers assumed by the manager. As a practical matter, however, the manager and the Trustee defer to the Board of Directors for decisions on matters that have a material impact upon the Corporation or EnergyTrust.

The Board of Directors meets a minimum of four times each year, supplemented by additional meetings throughout the year as required. The Board responds to recommendations brought forward by the manager's representative or by other board members. In addition, it assumes responsibility for the strategic direction of Corporation and EnergyTrust through annual consideration of a budget and a strategic plan. The Board of Directors reviews financial and operating performance, develops criteria to govern future growth and limit risk to unitholders, and approves major corporate policies, for example, with respect to safety, environmental protection, and Year 2000 issues.

The three independent members of the Board comprise the Audit Committee. There are no other formal committees, as the Board can operate efficiently as a committee of the whole.

five-year review
financial

December 31	1998	1997	1996	1995	1994
Gross oil and gas revenue*	**$ 168,585,453**	121,053,580	77,491,830	36,916,630	24,377,333
Crown royalties	**$ 18,054,578**	15,402,336	11,279,152	4,444,996	3,241,830
Freehold and other royalties	**$ 1,725,643**	2,220,550	2,207,121	1,221,743	610,235
Freehold mineral taxes	**$ 1,306,673**	1,956,038	2,326,149	745,166	244,863
Operating costs	**$ 61,810,067**	34,181,722	19,336,097	9,669,228	7,172,339
General and administrative	**$ 5,446,183**	2,758,337	2,062,702	1,634,170	952,775
Management fee	**$ 2,891,601**	2,389,036	1,582,695	797,482	507,235
Interest expense	**$ 15,996,643**	3,494,373	2,758,853	760,461	203,646
Capital taxes	**$ 926,856**	1,367,000	17,351	328,000	–
Depletion, depreciation and future site restoration	**$ 72,999,350**	38,863,000	22,619,000	12,415,000	8,711,000
Net Revenue**	**$ 74,876,700**	63,392,176	39,217,857	19,432,640	12,888,259
Per unit	**$ 1.58**	2.19	2.00	1.40	1.30
Net Income (loss)**	**$ (766,799)**	24,529,176	16,598,857	7,017,640	4,177,259
Per unit	**$ (0.02)**	0.87	0.84	0.51	0.44
Distributable income**	**$ 72,117,454**	63,634,319	38,821,941	19,253,822	12,737,797
Per unit	**$ 1.53**	2.02	1.92	1.31	1.21
Total assets	**$ 743,977,766**	947,907,973	227,635,655	155,392,547	88,000,566
Per unit	**$ 15.71**	20.05	9.89	9.04	7.45
Long-term liabilities	**$ 169,006,536**	295,695,516	22,144,451	20,552,196	6,515,237
Per unit	**$ 3.57**	6.25	0.96	1.20	0.55
Unitholders' equity	**$ 560,525,426**	632,786,273	194,834,638	131,144,008	78,525,191
Per unit	**$ 11.83**	13.38	8.47	7.63	6.65
Net asset value***	**$ 503,570,000**	770,569,000	241,790,000	164,610,000	102,567,000
Per unit	**$ 10.63**	16.30	10.51	9.58	8.69
Cash flow return on average equity	**12.1%**	15.4%	23.8%	18.4%	20.8%
Average cost of debt capital	**5.7%**	4.2%	5.6%	8.9%	7.1%

* Comparative figures have been restated to conform to the presentation adopted in the current year.

** The per unit amounts for the Net Revenue and Net Income (loss) are based on weighted average units outstanding calculated on a quarterly basis. The per unit amounts for Distributable Income reflect actual distributing paid or declared.

***Based on Established (proven plus 50% of probable) reserves discounted at 12% before income taxes.

five-year review
operating

December 31		1998	1997	1996	1995	1994
Daily production						
Oil (bbls)		**16,695**	7,650	4,681	3,080	1,754
Gas (mcf)		**57,707**	51,355	36,972	18,374	13,058
Natural gas liquids (bbls)		**3,342**	1,856	964	735	630
Oil equivalent (boe)		**25,894**	14,716	9,397	5,652	3,690
Total Annual Production (mboe)		**9,451**	5371	3,430	2,063	1,347
Average price						
Oil (per bbl)	**$**	**19.65**	26.26	27.79	22.32	21.54
Gas (per mcf)	**$**	**1.78**	1.94	1.73	1.35	1.80
Natural gas liquids (per bbl)	**$**	**11.71**	19.67	21.03	13.75	11.23
Oil equivalent (per boe)	**$**	**17.84**	22.78	22.63	18.02	18.23
Property acquisitions						
($ millions)	**$**	**6.4**	528.0	74.9	71.4	49.8
Capital expenditures						
($ millions)	**$**	**34.9**	17.5	10.3	3.8	1.6
Reserves (Established)						
Reserves acquired						
in the year (mmboe)		**0.7**	99.1	11.7	18.3	11.8
Reserves at year end						
(mmboe)		**140.1**	145.0	44.2	34.8	17.9
Acquisition cost per boe	**$**	**5.99**	5.33	6.41	3.90	4.21
Stock Market Data						
Trading volume		**12,078,935**	10,544,918	11,582,091	8,892,158	4,458,693
Trading value	**$**	**164,627,681**	192,697,226	192,712,080	119,354,846	50,958,001
Market capitalization						
Units outstanding		**47,368,765**	47,287,950	23,014,945	17,185,073	11,805,376
Year-end unit price	**$**	**11.00**	18.00	17.00	15.38	10.63
Total capitalization	**$**	**521,056,000**	851,183,000	391,254,000	264,220,000	125,432,000
Trust unit price						
High	**$**	**18.45**	22.45	19.00	15.88	12.38
Low	**$**	**10.00**	15.00	14.50	9.25	10.50
Close	**$**	**11.00**	18.00	17.00	15.38	10.63
Cash-on-cash return						
Yearly high price		**8.3%**	9.0%	10.1%	8.2%	9.8%
Yearly low price		**15.3%**	13.4%	13.2%	14.1%	11.5%

historical cash distributions

Distribution Date	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
January 15	$ 0.14	0.15	0.08	0.07	0.06	0.19	–	–	–	–
February 15	0.22	0.31	0.13	0.18	0.10	0.14	0.12	0.21	0.08	–
March 15	0.11	0.15	0.08	0.07	0.06	0.05	–	–	–	–
April 15	0.11	0.22	0.09	0.07	0.06	0.05	–	–	–	–
May 15	0.24	0.24	0.23	0.22	0.16	0.18	0.26	0.48	0.45	0.11
June 15	0.11	0.21	0.20	0.16	0.13	0.05	0.04	–	–	–
July 15	0.11	0.15	0.20	0.08	0.06	0.05	0.04	–	–	–
August 15	0.11	0.15	0.16	0.08	0.07	0.05	0.04	0.12	0.14	0.21
September 15	0.11	0.17	0.10	0.08	0.07	0.24	0.04	–	–	–
October 15	0.11	0.11	0.16	0.14	0.13	0.06	0.04	–	–	–
November 15	0.11	0.11	0.10	0.08	0.07	0.06	0.05	0.03	0.06	0.16
December 15	0.17	0.14	0.14	0.12	0.15	0.06	0.05	–	–	–
Total	**$ 1.65**	**2.11**	**1.67**	**1.35**	**1.12**	**1.18**	**0.68**	**0.84**	**0.73**	**0.48**
Cumulative Total	**$ 11.81**	**10.16**	**8.05**	**6.38**	**5.03**	**3.91**	**2.73**	**2.05**	**1.21**	**0.48**

Calgary personnel

Gordon Anderson
Vice President,
Treasurer

Lisa Apfeld
Administrative Secretary

Tania Barkley
Operations Secretary

Lianne Bigham
Controller

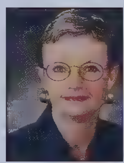
Shane Bradley
PC Network
Support Technician

Glori Cowan
Consultant (Geologist)

Kelly Dinning
Community
Relations Coordinator

Carol Donald
Assistant Corporate
Secretary

Julie Eldridge
Sr. Joint Interest
Accountant



Sally Elliott
Investor Relations
Toronto

Kathy Fidyk
Sr Accountant

Sandra Forsythe
Land Administrator

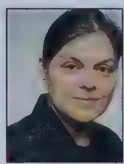
Terry Griffin
HR Analyst

Kendra Griffiths
Receptionist

Jim Ham
Manager,
Materials and Services

John Hulecki
Consultant (Systems)

Tom Kelly
Consultant (Financial)



Faryal Khawaja
Consultant (Accounting)

David Kinnear
Consultant (Systems)

James Kinnear
President and CEO

Tracy Knibbs
Sr Gas
Revenue Analyst

Lynn Kis
General Manager,
Engineering & Joint
Interest Operations

Bruce Malcolm
Sr Royalty Analyst

Calgary personnel

Leslie McCawley
Senior Engineering Technician

Henry McKinnon
General Manager, Operations

Judith McPhee
Manager, Oil & Gas Marketing

Cyndy Mercier
Accounting Administrator

Wendy Noonan
Supervisor, Admin & HR

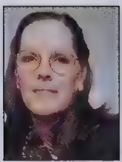
Lise Pitt
Manager, Land Administration

Clay Radu
Administrator, Information Systems

Corrine Rault
Consultant (Procurement Specialist)

Jacki Sampson
Supervisor, Joint Interest Accounting

Norm Schulteis
Consultant (Geologist)



Sue Skinner
Consultant (Systems Support)

Dave Thompson
Manager, Business Support

Nikki Tuveson
Jr. Marketing Representative

Tammy Vail
Accounting Clerk

Neil Walliser
Manager, Joint Venture

Robert Waters
Vice-President, Finance and Chief Financial Officer

Janice Young
Investor Relations Calgary

Kelly Zeeb
Joint Interest Accountant

Charles Selby
Corporate Secretary

Judy Creek personnel

Ed Arsenault
Robert Azim
Dale Babiak
Norm Bachand
David Beeson
Keith Black
Dave Bradley
Warren Bready
Joyce Bunn
Duane Carlson
Robert Collins
Brian Conner
Duane Constantinoff
Nigel Cook
Darcy Cornelssen
Kevin Cote
Donald Craig
Rob Cramer
Debra Danyluk
Len Danyluk
Al Doucette
Geoff Duff
Grant Ellefson
Greg Ewasiuk
Jean Feckley
Garry Fisher
Terry Fong
Brian Fuglerud
Randy Fuglerud
Jen Fuglerud
Rose Gardipy
Bernie Gaumont
Dianna Gaumont
Phil Gauthier
Roy Gertz
Garry Givens
Phil Goldsney
Richard Grant
Elaine Grant
Jim Greer
Kevin Gunning
Hal Hanrieder
Jeff Harasym

Conrad Harty
Debra Hehn
John Hestermann
Doug Hiemstra
Eric Hoek
Frank Horvath
Grant Huber
Dale Hutchinson
Khai Huynh
Craig Johnson
Dale Johnson
Donald Kallis
Trevor Keddie
Blair Kessler
Pat Kletzel
Francis Kripal
Sam Kuric
Dan Lastiwka
Greg Lawrence
Randy Lawrie
Martin Littke
Rod Machula
Randy Marriott
Terry Martin
Eric McCabe
Patti McCabe
David McConnell
Robbie McKinnon
Pete Mierau
Phyllis Morissette
Rob Moriyama
Ron Morland
Peter Neudorf
Joe Oleksow
Ken Osment
Rob Paterson
David Peachman
Brad Pearson
Roger Pechanec
Ted Pelech
Dennis Perin
Tasha Pingert
Eric Pratt

Joy Preston
Kevin Prodaniuk
Gord Rau
Brian Read
Lori Rock
Bob Rock
Terry Romaniuk
Jeff Ryan
Lance Schmaus
Phil Semmler
Ron Shannon
Mitchell Sharp
Stu Slager
Randy Steele
Linda Struik
Mario Struik
John Tawiah
Lisa Telang
Perry Teplyske
Darren Tetlock
Randy Trofimuk
Rob Vanloenen
Doug Wakaruk
Ron Webster
Jim Whaley
Jeff Whatmore
Ann Whitaker-Jackman
Brian White
Ken Workman

officers and senior management

James S. Kinnear, President, C.E.O. and Director
Mr. Kinnear graduated from the University of Toronto in 1969 with a B.Sc. degree and received a C.F.A.designation in 1979. In 1982 he founded Pengrowth Management Limited and in 1988 created the Pengrowth Energy Trust. Prior to 1982 he was research director and partner with a securities firm in Montreal and previously worked as a securities analyst in Toronto and London, England.

Robert J. Waters, Vice-President Finance and Chief Financial Officer
Mr. Waters previously worked as the Treasurer with a senior multinational oil and gas exploration and production company and prior to that was a manager with a major Canadian chartered accounting firm. Mr. Waters is a Chartered Accountant with a Masters of Business Administration degree from York University.

Gordon M. Anderson, Vice-President, Treasurer
Mr. Anderson joined Pengrowth in 1990 as Chief Accountant following a career specializing in oil and gas audit, accounting and tax. Mr. Anderson is a Certified General Accountant holding a B. Comm. degree from the University of Calgary.

Charles V. Selby, Corporate Secretary
Mr. Selby is both a Lawyer and Professional Engineer, holding B.Sc (Hons), P. Eng. and LLB degrees. He operates an independent legal practice which specializes in securities, oil and gas and international financial transactions. Mr. Selby was employed as a petroleum engineer in the energy sector prior to practising law.

Carol Donald, Assistant Corporate Secretary
Mrs. Donald was employed by Pengrowth Management Limited during its formation from 1982 through 1986, and returned in 1993. In the interim, she was Assistant to the Chairman and Corporate Administrator with Renown Resources Ltd.

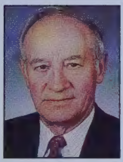
Lynn Kis, General Manager, Engineering and Joint Interest Operations
Ms. Kis has over 20 years experience in the Petroleum Engineering field, contributing her diverse talents in reservoir and project engineering to acquiring, developing and fully exploiting properties for major oil and gas companies in western Canada. Ms. Kis graduated from the University of Wales with a B. Sc. (Hons) Applied Science and continued with post graduate studies at the University of Calgary obtaining a M.Sc. Chemical Engineering.

Henry D. McKinnon, General Manager, Operations
Mr. McKinnon previously worked for 20 years in field operations with several multi-national petroleum companies. He assumed responsibility for coordinating the transition of operations at Judy Creek and continues to be the liaison with field operations. Mr. McKinnon graduated in 1975 from the University of Manitoba with a B.Sc. in Mechanical Engineering.

Hal A.P. Hanrieder, General Manager – Judy Creek Operations
Mr. Hanrieder has over 30 years experience in oil and gas related operations and supervisory activities, having worked such fields as Boundary Lake and Norman Wells. He is the General Manager of the Judy Creek Operation, responsible for the day-to day management of the oil and gas production operations to maximize profitability from the area's assets.

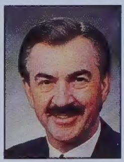
board of directors

Thomas S. Dobson is President of T.S. Dobson Consultant Ltd. following a career spanning 43 years with The Royal Bank of Canada, from which he retired in 1978 as Executive Vice-President. He is a former Director of TransAlta Utilities Corporation, and currently serves on the Board of several corporations such as Murphy Oil Company Ltd. and International Trust Company Inc.



Francis G. Vetsch, B.Sc., P.Eng., is President of Quantex Resources Ltd. and is the former President of Tripet Resources and Chairman of Chauvco Resources Ltd. In his earlier career he served as President and CEO of Alberta Eastern Gas Ltd. for six years and Vice-President, Operations of Atlantic Richfield Canada for six years. He serves of the Board of several other public energy companies.

Stanley H. Wong, B.Sc., P.Eng., is President of Carbine Resources Ltd., a private oil and gas producing and engineering consulting company. He was Senior Engineer with Hudson's Bay Oil & Gas for 10 years and employed by Total Petroleum for 15 years where he was Chief Engineer and later became Manager of Special Projects. He is currently a Director of Cavell Energy Corporation.



John B. Zaozirny, Q.C., B. Comm., LL.B., LL.M., is Counsel to McCarthy Tetrault of Calgary, was Minister of Energy and Natural Resources for the Province of Alberta from 1982 to 1986, and currently serves on the Board of numerous Canadian and international corporations. He is also a Public Governor of The Alberta Stock Exchange and a Senior Associate of Cambridge Energy Research Associates and of The Earnscliffe Strategy Group.

James S. Kinnear, President, C.E.O. and Director, Pengrowth Energy Trust. Mr. Kinnear graduated from the University of Toronto in 1969 with a B.Sc. degree and received a C.F.A. designation in 1979. In 1982 he founded Pengrowth Management Limited and in 1988 created Pengrowth Energy Trust. Prior to 1982 he was research director and partner with a securities firm in Montreal and previously worked as a securities analyst in Toronto and London, England.

additional information

Annual General Meeting

The Annual General Meeting of Pengrowth Corporation and Pengrowth Energy Trust, at which the unitholders are entitled to vote, will be held at 3:00 p.m. on Wednesday, April 28, 1999 in the McMurray Room of The Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta. Unitholders are invited to attend.

Distribution Reinvestment Program (DRIP)

The Distribution Reinvestment Plan is available to all unitholders owning a minimum of 100 trust units and provides an opportunity to purchase additional trust units by re-investing their monthly cash distribution, without paying a commission.

Pengrowth has the option of purchasing the units required for the DRIP program either in the stock market or from treasury. The choice of option is based on which provides the lowest price for investors. Under the terms of the DRIP, additional cash payments of a minimum of $100 and a maximum of $1,000 per month may be invested in the program free of commission costs. To enroll in the DRIP, please contact Montreal Trust Stock and Bond Transfer Department, Suit 600, 530 – 5th Avenue S.W., Calgary, Alberta T2P 3S8.

Optional Distribution Payments in U.S. Funds

Unitholders may choose to receive their monthly cash distribution payments in U.S. dollars. To select this option, please contact Montreal Trust, the Trustee, in Calgary at the address listed under the Distribution Reinvestment Program above.

Electronic Direct Bank Deposit Service

As a special service to our registered unitholders, the monthly cash distributions issued can be deposited directly to a specified bank account, by electronic transfer. This option is available to unitholders using financial institutions that are members of the Canadian Bankers Association. For this service, please contact the Trustee, Montreal Trust Company of Canada, at the address shown above.

corporate information

DIRECTORS OF PENGROWTH CORPORATION

Thomas S. Dobson
President, T.S. Dobson Consultant Ltd.

James S. Kinnear
President, Pengrowth Management Limited

Francis G. Vetsch
President, Quantex Resources Ltd.

Stanley H. Wong
President, Carbine Resources Ltd.

John B. Zaozirny
Counsel, McCarthy Tetrault

OFFICERS OF PENGROWTH CORPORATION

James S. Kinnear
President and Chief Executive Officer

Robert J. Waters
Vice-President, Finance and Chief Financial Officer

Gordon M. Anderson
Vice-President, Treasurer

Charles V. Selby
Corporate Secretary

Carol Donald
Assistant Corporate Secretary

TRUSTEE

Montreal Trust Company of Canada

BANKERS

Royal Bank of Canada

AUDITORS

KPMG LLP

ENGINEERING CONSULTANTS

Gilbert Laustsen Jung Associates Ltd.

LEGAL COUNSEL

Bennett Jones

STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange
Montreal Exchange
Symbol PGF.UN

PENGROWTH ENERGY TRUST

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Telephone: (416) 362-1748
Toll-free: 1-888-744-1111
Facsimile: (416) 362-8191

ABBREVIATIONS

bbl	barrel
mbbls	thousand barrels
mmbbls	million barrels
bpd	barrels per day
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
mmcf/d	thousand cubic feet per day
boe*	barrel of oil equivalent
mboe*	thousand barrel of oil equivalent
bopd	barrel of oil per day
mmboe*	million barrel of oil equivalent
boepd*	barrel of oil equivalent per day

Pengrowth Energy Trust (EnergyTrust)
Pengrowth Corporation (Corporation)

** 10 mcf of gas = 1 barrel of oil*

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PENGROWTH

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